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CANADA MORTGAGE AND HOUSING CORPORATION

2010-2014 SUMMARY OF THE CORPORATE PLAN

Including summaries of the 2010: Operating Budget, Capital Budget for Furniture, Equipment and Business Premises and Capital Budget for Loans and Investments



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2010-2014 Summary of the Corporate Plan

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Foreword



This Summary of Canada Mortgage and Housing Corporation's (CMHC) 2010-2014 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act* (FAA). It gives an overview of the Corporation's mandate and business structure, analyzes the expected operating environment and sets out CMHC's corporate objectives and strategic priorities for the next five years. The Summary demonstrates how the Corporation intends to achieve these objectives and measure its performance. It also shows how CMHC will manage the public assets entrusted to the Corporation through the presentation of its financial plan and resource needs.

Minister of Human Resources and Skills Development
Minister designated for the purposes of the
Canada Mortgage and Housing Corporation Act
and the *National Housing Act*





Subsequent Events

Since the preparation of CMHC's 2010-2014 Corporate Plan, the Government of Canada announced under Budget 2010 that savings identified by CMHC through the 2009 strategic review will be redirected to government priorities. These savings total \$97.0 million in 2010-11, \$99.9 million in 2011-12 and \$102.2 million in 2012-13 and result from lower-than-expected interest and inflation rates, as well as adjustments to research and service delivery to better align with the Corporation's core mandate. They are not reflected in this Corporate Plan Summary.

In addition, the results of the Budget 2010 cost containment measures have not been determined and are not reflected in the Corporate Plan Summary.



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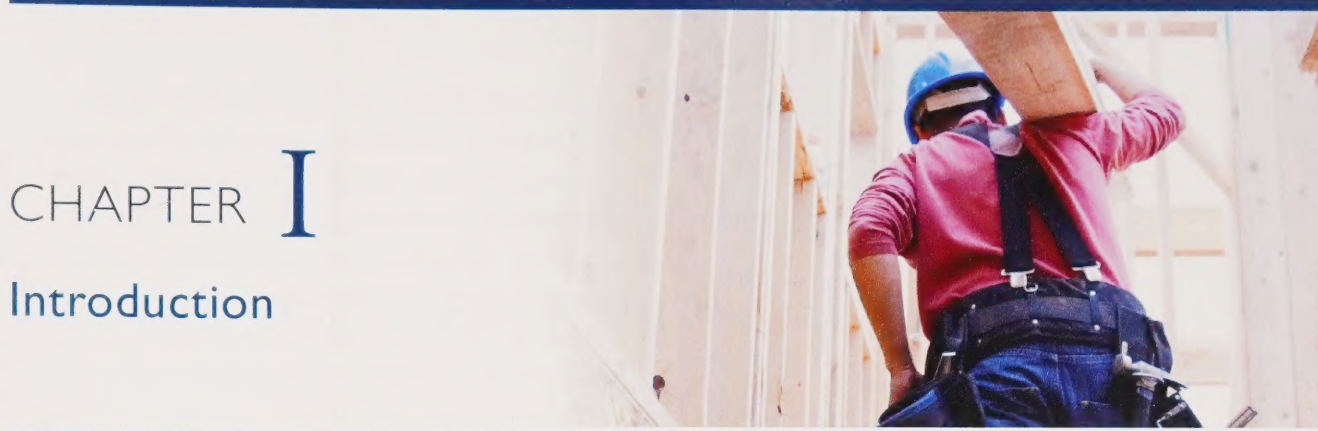
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CHAPTER I

Introduction



Throughout its 60-year history, Canada Mortgage and Housing Corporation (CMHC) has understood the importance of a good home and has strived to improve access to affordable, high quality housing for all Canadians. Today, Canada's housing system serves a wide spectrum of housing needs and is viewed by many as one of the best in the world. CMHC's role in housing finance, in providing federal housing assistance and in supporting housing markets through research, information transfer and export promotion has contributed to this renowned achievement.

During these turbulent economic times, the soundness of Canada's housing finance system has never been more evident. By law, federally-regulated lenders must obtain mortgage loan insurance for residential mortgages with less than a 20 per cent down payment. Because this insurance protects lenders against losses in the event of default, loans with lesser down payments can be offered to qualified borrowers at interest rates normally only available to borrowers with larger down payments.

CMHC has helped establish sound and prudent mortgage lending practices and its role as the public mortgage loan insurer has enabled generations of qualified first time homebuyers to obtain financing.

In 2009, of the total approved rental and high ratio homeowner units, 40 per cent were for purposes or areas not served or less well-served by private mortgage loan insurers.

For example, the Corporation is alone in insuring loans for large rental properties and nursing and retirement homes and has a mandate to provide mortgage loan insurance in all parts of Canada, including First Nation communities. Also in support of public policy objectives, specific CMHC mortgage loan insurance products facilitate the development of affordable housing and energy-efficient housing purchases or renovations.

The role the Corporation plays in ensuring a stable, low-cost supply of funds for mortgage lending through its securitization guarantee programs has enabled Canadian mortgage lenders to continue to provide creditworthy borrowers with housing finance loans during the global liquidity crisis. The Insured Mortgage Purchase Program (IMPP), implemented by CMHC on behalf of the Government of Canada, further increased lenders' ability to provide loans for both consumers and businesses during the height of the liquidity crisis.

CMHC will continue to contribute to the soundness of the housing finance system through mortgage loan insurance and securitization guarantee programs – both at no cost to the federal government.

While the vast majority of Canadians (80 per cent) do not require government assistance to meet their housing needs, significant federal investments in social housing are provided by CMHC for those who do require assistance. CMHC manages approximately \$1.7 billion in federal funding each year in support of social housing for almost 625,000 households across Canada, including First Nation households living on reserves. The Affordable Housing Initiative (AHI) and CMHC's suite of renovation programs also contribute to housing affordability and quality for lower income Canadians and those with special needs. CMHC is implementing the federal government's decision to extend funding for the AHI and its suite of renovation programs until March 2011.

Additional federal investments in social housing provided for in Canada's Economic Action Plan (CEAP), announced on January 27, 2009, are also being made by CMHC and will improve the availability of social housing for Canadians in need. These one-time investments of about \$2 billion will improve access to affordable, adequate and suitable housing for low income Canadians, seniors, persons with disabilities and Aboriginal people living both on and off reserve. Up to \$2 billion in low-cost loans to municipalities to fund housing-related infrastructure is also being provided through CMHC. These CEAP investments will create jobs and economic growth for Canada.

A sound and efficient housing system also requires that Canadians and the housing industry have timely, comprehensive and relevant information in order to make informed decisions. Consumers have turned to CMHC for unbiased information when renting or buying a home or undertaking renovations. Home builders use CMHC's housing starts forecasts to help them develop better business plans. Public policy makers also use CMHC's research on housing needs and solutions. All Canadians benefit from the Corporation's activities to advance sustainable housing and communities and to improve the housing industry's ability to expand business opportunities both at home and abroad.

The Corporation will continue to strive to meet the housing information needs of Canadians, to research and help foster environmentally-friendly housing solutions, and work to ensure an innovative housing industry that provides jobs and economic growth for Canadians.

CMHC, Canada's national housing agency, is a Crown corporation governed by a Board of Directors and accountable to Parliament through the Minister of Human Resources and Skills Development. This Summary of the 2010-2014 Corporate Plan is tabled in Parliament. All Canadians are invited to learn more about the Corporation and its activities through this Summary and other information on its website at www.cmhc.ca.

CHAPTER II

Objectives and Strategic Priorities

CORPORATE PLAN FRAMEWORK

CMHC's three corporate objectives and seven strategic priorities provide the framework within which CMHC plans its activities and allocates its resources. Challenges and opportunities, directions for 2010, key initiatives, performance measures and expected outcomes are provided for each strategic priority in this chapter. Where applicable, the 2009 mid-year actual performance against the 2009-2013 Corporate Plan is provided in the performance measure tables and variances against plan are explained.

Expected outcomes of CMHC's activities can be of an immediate, intermediate or long-term nature. CMHC research continually enhances its understanding of linkages between its activities and outcomes allowing it to refine the development of the quantitative elements of its performance management framework. In addition,

as information is made available periodically through the Census, specialized surveys and/or program evaluations, CMHC will report on housing trends and impacts in corporate publications including its annual report.

CMHC, on behalf of the federal government, will deliver approximately \$3.1 billion in Parliamentary appropriations to support various housing programs under strategic priorities 1.1, 1.2, 2.3, 3.1 and 3.2 in 2010. This funding includes investments in social housing made through Canada's Economic Action Plan. Additional details on CMHC's budgets and resources requirements are presented in later chapters.

The following summarizes CMHC's operating and staff resources by strategic priority for 2010:

		Operating Budget (\$ millions)	Staff-Years
Objective 1: Help Canadians in need			
Strategic Priority 1.1	Help Canadians in need access affordable, sound and suitable housing	76	459
Strategic Priority 1.2	Support Aboriginal Canadians to improve their living conditions	23	148
Objective 2: Facilitate access to more affordable, better quality housing for all Canadians			
Strategic Priority 2.1	Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs	225	1,045
Strategic Priority 2.2	Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program	11	62
Strategic Priority 2.3	Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions	50	297
Objective 3: Ensure the Canadian housing system remains one of the best in the world			
Strategic Priority 3.1	Promote sustainable housing and communities	9	57
Strategic Priority 3.2	Support and promote Canada's world-class housing products, services and systems internationally	17	70
Total		411	2,138

■ UPDATE ON THE PLANNING ENVIRONMENT

CMHC's directions for the upcoming planning period take into account the operating environment at mid-year 2009 and forecast for 2010 available at that time. Some key indicators have been updated since.

Macroeconomic indicators

At mid-year 2009, the Canadian economy continued to exhibit weak growth due to the global economic downturn. Canada's economic outlook remains uncertain in the short term; however, there are encouraging signs that a recovery is beginning to take hold. As a result, real GDP growth is expected to rebound in 2010 and Canada's economy, along with the global economy in general, is expected to be stronger. The October 2009 Consensus Forecast indicated that the economy will decline by 2.4 per cent in 2009 and is forecast to grow 2.6 per cent in 2010.

One possible sign of recovery is the job market. According to Statistics Canada, more than 270,000 jobs have been lost since the start of 2009. However, the pace of job losses is slowing and, in fact, employment actually increased in August and September, when nearly 60,000 jobs were created. While Canada's unemployment rate increased from 5.8 per cent in January 2008 to 8.7 per cent in August 2009, recent job gains caused the unemployment rate to decrease to 8.4 per cent in September, the first monthly decrease since July of 2008.

The global economic downturn has also resulted in downward pressure on prices. The rate of inflation, as measured by the Consumer Price Index (CPI), was -0.9 per cent as of September 2009. The decline in inflation is due mainly to falling energy prices. With energy products excluded, the CPI was up 1.3 per cent year-over-year in September 2009.

The Bank of Canada is committed to maintaining its target for the overnight rate at 0.25 per cent until the end of the second quarter 2010, conditional on the inflation outlook. The overnight rate has a direct impact on shorter-term mortgage rates and variable rates and an indirect impact on longer-term mortgage rates. As a result, mortgage rates are expected to remain relatively stable near their current low levels heading into 2010. For 2010, it is expected that the one-year posted mortgage rate will be in the 3.5 to 4.25 per cent range while the three and five-year rates will be in the 4.5 to 6.0 per cent range.

Housing starts and sales

Following several years of strong sellers' market conditions, the Canadian resale market favoured buyers in 2008 as new listings reached record levels and Multiple Listing Service®¹ (MLS®) sales fell. Since January 2009, however, a strong rebound in MLS® sales has pushed the sales-to-new-listings ratio back into the sellers' market range.

National sales of existing homes through the MLS®, which reached record levels in recent years, are forecast to increase to within the 437,000 to 453,500 unit range in 2009 and in the 415,000 to 460,000 unit range in 2010.

	2008 Actual	2009 Forecast	2010 Forecast
Total housing starts (units)	211,056	141,900	164,900
Total single-detached houses	93,202	70,350	79,700
Total multiple housing units	117,854	71,550	85,200
Total MLS® sales	434,477	441,300	445,150
Average MLS® selling price (\$)	303,594	312,950	324,500
As at November 2, 2009.			

The new home market moderated in the first half of 2009 due to the economic downturn and a weak job market. However, activity picked up in the second half of 2009 and is forecast to strengthen in 2010 as economic and financial conditions improve. Housing starts are expected to be in the range of 135,000 to 190,000 units for 2010.

Demographic models suggest that current household formation is approximately 175,000 net new households per year. These projections are based on the current age and gender make-up, projections for migration and past household formation. Housing starts and household formation are closely linked over time. The number of housing starts in a given year can fluctuate above or below expected household formation depending on economic conditions or other factors such as conversions, demolitions and changes in vacancy rates.

Housing starts are expected to improve gradually and be roughly in line with household formation over the medium term.

¹ MLS® is a registered trademark of the Canadian Real Estate Association.

■ OBJECTIVE I: HELP CANADIANS IN NEED

Strategic Priority 1.1

Help Canadians in need access affordable, sound and suitable housing

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

According to the 2006 Census, 1.5 million Canadian households are unable to find adequate and suitable housing without spending more than 30 per cent of their household income. The federal government through CMHC, provinces and territories, the not-for-profit sector and others play a role in helping Canadians in need and make significant investments in social housing.

Making new federal social housing investments, as part of Canada's Economic Action Plan, will remain a priority for CMHC in the upcoming planning period. These investments will help create more social housing for low income families, seniors, persons with disabilities, Aboriginal Canadians (also see strategic priority 1.2) and help renovate and retrofit some of the social housing developed under programs that operated between 1946 and 1993 across Canada.

While the federal government is no longer making new commitments under these programs (except on reserve), subsidies by the federal government in support of this housing amount to about \$1.7 billion every year. Provinces and territories are examining the long-term viability of this housing given that some of the buildings and developments are now several decades old and funding agreements are beginning to expire as mortgages are paid off. Over the planning period, CMHC will continue to work with them on this issue.

Canadians in need will also benefit from the five-year commitment made by the Government of Canada to continue to fund housing and homelessness programs at \$387.9 million per year to March 31, 2014, for total funding of \$1.9 billion. The first two years of this funding relates to CMHC's Affordable Housing Initiative (AHI), its suite of housing renovation programs, including the Residential Rehabilitation Assistance Program (RRAP), and HRSD's (Human Resources and Skills Development) Homelessness Partnering Strategy (HPS). The five-year funding for housing and homelessness provides an opportunity to consider improvements to ensure that programs continue to respond effectively to the needs of Canadians. Provinces and territories, housing stakeholders and the private sector are being consulted on proposals for the last three years of funding and the results of evaluations of the AHI, CMHC's suite of renovation programs and the HPS will also contribute to the development of future housing program directions.

CMHC will continue to work with the Federal Co-operative Housing Stabilization Fund and the Co-operative Housing Federation on the planned expiration of the Fund. The Stabilization Fund was set up under the Federal Co-operative Housing Program (FCHP) and provides assistance to co-operative housing projects in financial difficulty committed under this program. Since the Fund was set up for a period of 21 years in April 1989, it is set to expire in April 2010.

During the planning period, there will also be an opportunity to evaluate the Agency for Co-operative Housing which administers, on behalf of CMHC, certain federally-assisted co-operative projects.

CMHC will continue to support the development of affordable housing through its Affordable Housing Centre. Working with the public, private and not-for-profit sectors, thousands of affordable housing units have been developed as a result of CMHC providing knowledge, expertise and facilitating partnerships.

CMHC also provides Seed Funding or Proposal Development Funding (see Glossary) to sponsor groups in need of help to get a project underway, and CMHC mortgage loan insurance supports the financing of affordable housing projects. CMHC will continue to enhance the ability of community-based groups to make their vision of developing affordable housing to help Canadians in need a reality.

CMHC's research activities will contribute to a better understanding of housing needs and affordable housing solutions.

Strategic Priority 1.1 – Key Initiatives for 2010

- 1.1.1 Continue to deliver initiatives under Canada's Economic Action Plan and to raise awareness of the federal investment in social housing that helps to meet the housing needs of Canadians and contributes to economic growth and job creation. CMHC will also continue to offer low-cost federal loans for housing-related municipal infrastructure. The following federal commitments are to be made by the end of 2010-11:

- \$1 billion for renovation and energy retrofits of the existing social housing stock (\$850 million for social housing programs administered by provinces and territories and \$150 million for social housing programs administered by CMHC);
- \$400 million for social housing units for seniors;
- \$75 million for social housing units for persons with disabilities; and
- \$2 billion in low-cost loans under the Municipal Infrastructure Lending Program for housing-related infrastructure.

(For funding for initiatives on reserve and in the North, see strategic priority 1.2.)

- 1.1.2 Housing and Homelessness Programs: In collaboration with Human Resources and Skills Development, develop recommendations for housing and homelessness programs to be implemented during the last three years (2011-12 to 2013-14) of the federal government's five-year funding commitment.
- 1.1.3 CMHC will conduct an evaluation of the Agency for Co-operative Housing's performance under the current service agreement to determine whether additional portfolio management activities could be transferred to the Agency.
- 1.1.4 CMHC will make modifications to its internal processes to accommodate the transition that will take place when the Co-operative Housing Stabilization Fund expires in April 2010.

PERFORMANCE MEASURES AND OUTCOMES

At mid-year 2009, the Corporation was meeting most targets. As in prior years, it is expected that funding allocated for the 2009-10 fiscal year will be fully committed.

It should be noted that CEAP initiatives only became available in April 2009 or later. Nevertheless, CMHC expects that it will fully expend all available funding. Since the development of CMHC's 2010-2014 Corporate Plan, the fourth report to Canadians on Canada's Economic Action Plan released in December 2009 reported that the government has fully committed \$425 million to provinces and territories for renovation and retrofits, \$200 million to support housing for low-income seniors, and \$25 million to meet the housing needs of persons with disabilities, for a total of \$650 million in 2009-10. For these projects, federal funding is being matched by provincial and territorial governments who are responsible for program design and delivery. In addition, the Government of Canada, through CMHC, has fully committed \$75 million for renovation and retrofits of federally-administered social housing in 2009-10. Across the country, over 1,300 projects have begun.

In addition to federal funding for social housing, up to \$1 billion is available in 2009-10 in low-cost loans for municipalities to undertake housing-related infrastructure projects. As reported in Canada's Economic Action Plan – A Fourth Report to Canadians, CMHC has approved 64 loans.

		STRATEGIC PRIORITY 1.1			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Housing program expenses excluding operating expenses (\$M)	2,288	2,247	968	963	3,001 ¹
Estimated number of households assisted through long-term social housing commitments	623,700	621,700	N/A	N/A	612,700 ²
Renovation programs expenditures (value of loans forgiven over time) (\$M)	107	141.2	43.3	26.6	120.4
Annual Direct Lending (\$B)	1.71	.839 to .903	.361 to .389	.466	1.14 to 1.23
Affordable Housing Initiative expenditures (\$M)	98	93.4	N/A	49	168.1 ³
Affordable housing units facilitated by CMHC's Affordable Housing Centre	3,325	2,500	N/A	1,712	2,105
EXPECTED OUTCOMES					
Immediate Low-income Canadians have greater access to affordable, sound and suitable housing stock that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	Intermediate Governments and other organizations have information to better assess policy options related to housing for Canadians in need. Industry adopts best practices in areas where CMHC undertakes research.		Long-term Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life. Communities benefit from greater stability and prosperity.		
¹ Housing program expenses apply to all programs for which CMHC receives Parliamentary appropriations including CEAP initiatives					
² Includes households assisted on reserve under strategic priority 1.2.					
³ Includes the extension of AHl as announced in September 2008 but not CEAP initiatives					

Strategic Priority 1.2

Support Aboriginal Canadians to improve their living conditions

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

The incidence of housing problems for First Nation members living on reserve is higher than for the general population. About one-third of households (34 per cent) on reserve are in housing need because they live in housing that does not meet adequacy and suitability standards or cannot afford housing that would meet these standards. This rate is well above the overall rate of Canadian households in core housing need (12.7 per cent).

Federal investments are helping to improve the housing conditions on reserve. CMHC provides program funding to support existing non-profit units on reserve as well as to support the development of new units.

In addition, Canada's Economic Action Plan provides \$400 million over two years to enable First Nation communities to build new housing and to repair and modernize existing social housing for their members. This funding will create jobs, support small businesses in many First Nation communities and enhance their capacity to meet housing needs. CMHC is administering \$250 million of the CEAP funding while Indian and Northern Affairs Canada is administering \$150 million.

Aboriginal Canadians in the North face especially challenging housing conditions. Recognizing the distinctive needs of the North where the population is predominantly Aboriginal, Canada's Economic Action Plan provided \$200 million over two years to support the construction of new and the renovation of existing social housing units.

Continuing to enhance First Nations' capacity to manage overall housing development and infrastructure on reserve is an important long-term objective. CMHC's capacity development initiatives help address issues such as construction techniques, building inspections, ways to improve indoor air quality and regular home maintenance. The Corporation also provides assistance and advice on administrative and financial management of housing.

CMHC will continue to provide insurance for housing loans on reserve through a number of products and fulfill its role as manager of the First Nations Market Housing Fund. (See description of the Fund in Chapter III).

The short construction season and high shipping and infrastructure costs contribute to the lack of affordable, high quality housing in the North. Affordability and sustainability can be enhanced through designs that lower maintenance and operating costs.

CMHC's role in housing research and demonstration can lead to housing that is more suitable to northern conditions and cultural needs.

Aboriginal Canadians living off reserve are also assisted through CMHC activities found under strategic priority 1.1.

Strategic Priority 1.2 – Key Initiatives for 2010

- 1.2.1 CMHC will continue to deliver initiatives under Canada's Economic Action Plan and to raise awareness of the federal investment in social housing that helps to meet the housing needs of Aboriginal Canadians and contributes to economic growth and job creation. The following federal commitments are to be made by the end of 2010-11:
- \$125 million for the construction of new On-Reserve Non-Profit Rental Housing units;
 - \$125 million for the retrofit of existing On-Reserve Non-Profit Rental Housing units; and
 - \$200 million for new social housing and social housing retrofits in the North.
- (These funds will also benefit non-Aboriginal low-income households in the North.)
- 1.2.2 CMHC will work with northern housing providers to demonstrate and disseminate information on high performance housing and sustainable communities suitable for northern housing conditions.
- 1.2.3 CMHC will continue to provide capacity development support to First Nation communities in areas of housing quality, management and development of market-like housing conditions to facilitate more effective planning, building, administration and maintenance of housing.

PERFORMANCE MEASURES AND OUTCOMES

CMHC met mid-year targets with the exception of renovation program expenditures.

With regard to CEAP, CMHC expects that it will spend all funding available for the 2009-10 fiscal year. Canada's Economic Action Plan – A Fourth Report to Canadians released in December 2009, indicated that federal funding of \$200 million for First Nations housing has been fully committed. Projects have begun in some 300 First Nation communities. In addition, the Government of Canada has fully committed \$100 million to support the specific needs of northern residents in 2009-10. One hundred and six (106) projects have begun.

		STRATEGIC PRIORITY 1.2			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
New units committed under the On-Reserve Non-Profit Rental Housing Program	945	774	391	461	697
Renovation program expenditures (value of loans that are forgiven over time) (\$M)	14	19	8.8	4.9	12.6
Per cent of housing programs and services delivered through First Nations or Aboriginal organizations	90	83	83	90.2	80
Homeowner units facilitated through insured financing or other market-based housing tools	242	170	N/A	97	170
EXPECTED OUTCOMES					
Immediate First Nation members living on reserve and low-income Canadians in the North who are predominantly Aboriginal have greater access to affordable, sound and suitable housing that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	Intermediate Increased homeownership on reserve allows First Nation households to participate more fully in the economic, social and cultural spheres of their communities. First Nations have the capacity to develop, maintain and manage their own housing on reserve.		Long-term Individuals living on reserve have a stable foundation for accessing opportunities and improving their quality of life. First Nation members gain greater financial security and health through increased homeownership on reserve. On reserve communities benefit from greater stability and prosperity. Governments and First Nations have information to better assess policy options related to housing for First Nation members.		

■ OBJECTIVE 2: FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

Strategic Priority 2.1

Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

As the public mortgage loan insurer, CMHC operates on a commercial basis and competes with private sector insurers. Its business is largely driven by the state of the economy and housing markets but can also be impacted by changes in the competitive landscape and the regulatory environment.

After a slow start in 2009, as noted earlier, housing starts rebounded in the second half of the year and are expected to increase in 2010. Sales of existing homes through the Multiple Listing Service® have also rebounded significantly since the start of 2009. In 2010, sales of existing homes are expected to be around 445,000, essentially unchanged from 2009.

Several factors also suggest an increased lender demand for mortgage loan insurance in general. For example, in previous years, some lenders operating in Canada secured their funding through private securitization conduits without insuring the loans. With the collapse of the Asset-Backed Commercial Paper (ABCP) market and reduced liquidity in the financial sector, many of these lenders are now insuring loans in order to securitize them under CMHC's *National Housing Act* Mortgage-Backed Securities (NHA MBS) for the purposes of the Canada Mortgage Bond (CMB) program as well as the Insured Mortgage Purchase Program (IMPP). In addition, to preserve capital, many traditional lenders are also insuring more of their low ratio business. These trends have resulted in increased demand for CMHC

mortgage loan insurance for both high ratio loans (loans with less than 20 per cent down payment) and low ratio loans, which are insured by the lender mostly under CMHC's portfolio loan insurance product. It should also be noted that insured mortgages are being used as underlying collateral for covered bonds.

To ensure Canada's housing market remains strong, the federal government reviewed the guarantee it provides to private insurers in Canada. The results of the review were announced in July 2008. New parameters applicable to private mortgage loan insurers seeking to be backed by the federal government mean, among other things, that financing more than 95 per cent of the value of the property and amortization periods in excess of 35 years can now only be offered if private insurers and/or lenders assumed all the risk. CMHC adopted the parameters when they came into effect on October 15, 2008. CMHC's analysis of borrower behaviour since the new rules were introduced indicates that borrowers have adapted to the new parameters.

CMHC will continue to offer a range of mortgage insurance products to lenders in order to assist creditworthy borrowers across Canada to obtain low-cost mortgage financing. To better serve both Canadian borrowers and lenders, CMHC will strive to improve its products, policies and operations and will continue to foster prudent underwriting practices. Enhanced monitoring of arrears and claims trends and collaboration with lenders to prevent mortgage fraud are also planned.

Strategic Priority 2.1 – Key Initiatives for 2010

- 2.1.1 To better serve Canadian borrowers and lenders, CMHC will continue to offer its products in all parts of Canada and focus on improving its products, policies and operations including fostering prudent underwriting practices. CMHC will also strive to improve client relationships through superior key account management.
- 2.1.2 CMHC will expand its insurance-wide monitoring framework and feedback system to further enhance the quality of mortgage loan insurance business and overall portfolio performance.
- 2.1.3 CMHC will enhance business analytics to include more emphasis on improved business processes, including operational efficiencies and underwriting procedures.
- 2.1.4 CMHC will continue to work on fraud detection and prevention.

PERFORMANCE MEASURES AND OUTCOMES

Mid-year performance reflects the operating environment and the increased demand for mortgage loan insurance, in particular portfolio insurance, as described earlier.

in particular portfolio insurance, as described earlier.

STRATEGIC PRIORITY 2.1					
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Total mortgage loan insurance approved in units	919,790	873,375	456,737	693,036	960,944
Total mortgage loan insurance approved (\$M)	148,322	139,388	74,082	102,609	143,545
Per cent of the total of rental and high ratio homeowner units approved to address less-served markets and/or to support specific government priorities	41.8	33.0	33.0	39.6	33.0
Operating expense ratio (per cent)	12.0	12.8	15.0	13.6	13.9
EXPECTED OUTCOMES					
Immediate Lenders are protected from losses due to borrower default and are willing to provide mortgage financing, and provide it at lower rates, because of CMHC mortgage loan insurance. Canadians across the country not served or under-served by private mortgage loan insurers, can better access housing finance. Portfolio insurance increases the efficiency of capital management for lenders and increases the competitiveness of small lenders. In combination with securitization, it also increases the availability of mortgage funding in Canada.	Intermediate A healthy housing market, which includes new construction as well as renovation activity, contributes to job creation and economic growth. The provision of insurance for rental housing and condominium construction promotes affordable housing and supports tenure options.		Long-term Canadians who choose homeownership can increase their financial security. Rental housing is supported, increasing the percentage of Canadians able to provide for their own housing needs without any government assistance.		

Strategic Priority 2.2

Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

In the spring of 2009, CMHC consulted key representatives of the securitization industry to assist in determining future directions. These consultations sought views on proposed enhancements to CMHC's securitization products, the potential impacts of International Financial Reporting Standards (IFRS) on Canada's mortgage securitization vehicles and developments in mortgage securitization and alternative mortgage funding sources.

On the regulatory front, the change from Canadian Generally Accepted Accounting Principles (GAAP) to IFRS in Canada by January 2011 will have implications for mortgage lenders.

Currently, most mortgage securitization structures in the Canadian market meet the "de-recognition" standards under Canadian GAAP and therefore mortgages that are securitized are not included on lenders' balance sheets.

Under current IFRS standards, de-recognition of securitized mortgages is much harder to obtain, thus resulting in most of the securitized mortgages going back on the balance sheets of the mortgage lenders in 2011. Subsequent to the development of the Corporate Plan, the International Accounting Standards Board (IASB) proposed amending the de-recognition standard to permit partial de-recognition.

If adopted, it is likely that mortgage assets sold through the NHA MBS and CMB programs would be de-recognized. Uncertainty around the outcome of the revised standard, however, will exist until it is finalized, which is expected to be by mid-2011.

CMHC will continue to provide timely payment guarantee of interest and principal to NHA MBS and CMB investors and enhance its products, policies and practices to improve their effectiveness and efficiency in ensuring low-cost funds for mortgage lending.

Strategic Priority 2.2 – Key Initiatives for 2010

- 2.2.1 Carry out recommendations following review of the impact of the adoption of IFRS on CMHC's securitization programs that would help ensure their continued cost-effectiveness.
- 2.2.2 Priorities for CMHC in response to industry consultations will be to:
- (i) develop the structure and issuance strategy for a foreign currency CMB within the CMB Program;
 - (ii) develop the structure and issuance strategy for a Commercial Paper (CP) Program within the CMB Program;
 - (iii) develop a long-term solution for home equity line of credit (HELOC) securitization; and
 - (iv) develop multi-seller NHA MBS pool structures (see Glossary).

PERFORMANCE MEASURES AND OUTCOMES

The annual securities guaranteed target for 2010 includes \$6 billion in NHA MBS guarantees as a result of the extension of the Insured Mortgage Purchase Program.

		STRATEGIC PRIORITY 2.2			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Annual securities guaranteed (\$M)	104,625	167,000	83,500	82,673	66,000
Operating expense ratio (per cent)	4.1	<11	<11	4.2	<9
EXPECTED OUTCOMES					
Immediate Increased integration of mortgage market lending with capital market lending leads to greater efficiency and lower costs for lenders. Enhance competitive position of small lenders in the mortgage market. Canadians continue to be able to access low-cost financing for their homes.	Intermediate A stable and resilient Canadian housing finance system.		Long-term Financial institutions have access to robust wholesale housing finance choices.		

Strategic Priority 2.3

Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

CMHC's research activities are based on an ongoing assessment of the operating environment. Research and information transfer continues to inform housing solutions that respond to changing demographics such as increased ethnic diversity, the aging population and the unmet housing needs of vulnerable groups. Research and information transfer to address the growing interest among Canadians in environmental sustainability is also a CMHC priority. (See strategic priority 3.1.)

In 2010, CMHC expects that the demand for information will continue to remain high. The housing industry with its many small players is unable to undertake the type of research that CMHC does. Another challenge

is the diverse audience for CMHC's information products. This audience includes both private and public sector users who have a variety of information needs.

Research on a wide range of housing issues will be conducted and information transfer activities will include demonstration projects, web-based publications, print publications, housing market outlook conferences and other outreach activities.

CMHC will continue to provide housing market analysis and housing forecasts. In addition to standardized information products, the ability of users to generate their own customized reports on demand would improve client service and the flexibility of using CMHC data.

Strategic Priority 2.3 – Key Initiatives for 2010

- 2.3.1 CMHC will review and enhance its housing market information management and dissemination infrastructure to give clients greater flexibility and enhanced accessibility in the retrieval of statistical data and other information products via its website.

PERFORMANCE MEASURES AND OUTCOMES

Given the volatility in the economy, CMHC will not likely meet its target for forecast accuracy of housing starts.

		STRATEGIC PRIORITY 2.3			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Per cent of subscribers to market analysis publications who found them useful	93	>94	N/A	N/A	>93
Per cent of attendees at Housing Outlook Conferences who found them useful	99.3	95	95	99.8	95
Forecast accuracy of housing starts	+1.5%	Within 10% of actual	Within 10% of actual	-25.3	Within 10% of actual
Ranking of housing starts forecast accuracy among forecasters	3rd amongst 18	Rank within top quartile	N/A	N/A	Rank within top quartile
Per cent of attendees at information transfer seminars who found them useful	92	90	90	94	90
Per cent of recipients of newly published Research Highlights who found them useful	72	70	70	71	70
Per cent of recipients of newly published About Your House fact sheets who found them useful	85	80	80	82	80
EXPECTED OUTCOMES					
Immediate to intermediate Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing and housing markets.		Intermediate to long-term The housing market is more efficient and stable as a result of more effective matching of supply and demand. Consumers and the housing industry adopt best practices.			

■ OBJECTIVE 3: ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

Strategic Priority 3.1

Promote sustainable housing and communities

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

CMHC has continuously responded to the changing housing needs of Canadians, helping to ensure a housing system that meets present as well as future needs. The Corporation strives to be a catalyst for the development and adoption of sustainable housing technologies and community planning. Under CMHC's EQuilibrium™ Sustainable Housing Demonstration Initiative (EQ), demonstration homes have been opened across the country showcasing approaches to designing and building environmentally-friendly homes. Building on the success of this initiative, CMHC is investigating ways to apply these technologies to existing homes and multi-unit residential buildings. In June 2009, the Corporation

launched an EQuilibrium™ Communities Initiative in collaboration with Natural Resources Canada's (NRCan's) CanmetENERGY. This initiative will support and promote leading edge sustainable neighbourhood demonstration projects in Canada.

Granville Island, which is managed by CMHC on behalf of the Government of Canada, represents an opportunity to showcase sustainable practices. CMHC will continue its efforts to renew the Island's infrastructure and systems in a sustainable manner.

In addition, CMHC will continue to promote energy efficiency through its mortgage loan insurance products where borrowers who purchase energy-efficient homes or who make energy-efficient home improvements can take advantage of premium refunds.

Strategic Priority 3.1 – Key Initiatives for 2010

- 3.1.1 CMHC will accelerate the adoption of sustainable housing and communities practices by:
- sharing knowledge gained through the EQUilibrium™ Sustainable Housing Demonstration Initiative with industry, consumers and other stakeholders;
 - supporting neighbourhood-scale demonstration projects through the EQUilibrium™ Communities Initiative, in partnership with NRCan;
 - examining how the EQUilibrium™ principles can be applied to improve performance of multi-unit residential buildings and retrofit the existing housing stock; and
 - developing new information products to address gaps in best practices and “how-to” information related to sustainable housing and communities.
- 3.1.2 In support of Canada’s Economic Action Plan, CMHC will pursue mortgage loan insurance opportunities related to the government’s emphasis on energy efficiency and housing renovations for singles and multiples.
- 3.1.3 CMHC will continue its efforts to renew Granville Island’s infrastructure and systems in a sustainable manner.

PERFORMANCE MEASURES AND OUTCOMES

PERFORMANCE MEASURES AND OUTCOMES		STRATEGIC PRIORITY 3.1			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Per cent of attendees at information transfer seminars on sustainable housing and communities who found them useful	92	90	90	94	90
Per cent of recipients of newly published Research Highlights on sustainable housing and communities who found them useful	72	70	70	71	70
Per cent of recipients of newly published About Your House fact sheets on sustainable housing and communities who found them useful	85	80	80	82	80
EXPECTED OUTCOMES					
Intermediate to long-term					
Greenhouse gas emissions attributable to the residential sector are reduced through improved energy efficiency of new and existing homes.					
New and existing communities become more sustainable through adoption of sustainable practices, intensification of existing neighbourhoods and brownfield re-development.					

Strategic Priority 3.2

Support and promote Canada's world-class housing products, services and system internationally

CHALLENGES AND OPPORTUNITIES – DIRECTIONS FOR 2010

The ability of the Canadian housing industry to expand its housing exports brings economic benefits to Canada. As a result of the global economic crisis, Canadian housing exporters are not only facing shrunken markets, but also greater international competition from American and European suppliers. The recent rise in the value of the Canadian dollar has added further challenges.

In these turbulent economic times, there is a need for CMHC to continue to assist Canadian housing export clients to consolidate ties in their traditional markets and to diversify to new and promising markets.

For example, the demand for sustainable housing is rising in many industrialized countries due to volatility in energy prices. This represents an opportunity for CMHC to help promote and market Canada's sustainable housing and community solutions abroad.

The Corporation will also continue to represent Canada on housing matters abroad. The World Urban Forum is an important opportunity to share best practices amongst nations. CMHC, as Canada's housing agency, coordinates the Government of Canada's participation at the Forum, which takes place every two years.

Strategic Priority 3.2 – Key Initiatives for 2010

- 3.2.1 CMHC will increase its support to industry members seeking to export Canadian green building products and technologies.
- 3.2.2 CMHC will customize training on sustainable community development aimed at different audiences.
- 3.2.3 CMHC will strengthen its relationships with governments, other agencies and organizations of global importance to support and advance the Government of Canada's and CMHC's objectives.
- 3.2.4 CMHC will coordinate the Government of Canada's participation in the next World Urban Forum in Rio de Janeiro, Brazil on March 22-26, 2010.

PERFORMANCE MEASURES AND OUTCOMES

Despite the economic downturn, CMHC's housing export clients appear to be maintaining their export sales numbers. Sales facilitated by CMHC at year end are expected to be on target. Economic recovery in some foreign markets is expected to take some time and sales facilitated by CMHC are expected to be below 2009 Plan levels. CMHC's consulting revenues for providing its own expertise are also down as a result of the economic uncertainty faced by foreign governments and housing agencies.

		STRATEGIC PRIORITY 3.2			
PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Overall satisfaction rate of key housing export clients (per cent)	92	80	N/A	N/A ¹	85
Value of CMHC facilitated sales reported by key housing export clients (\$M)	129	120	60	51.8	100
Consulting revenues achieved (\$M)	1.6	2.54	0.44	0.15	2.4
EXPECTED OUTCOMES					
Intermediate Increases in Canadian exports contribute to economic growth and job creation in Canada.		Long-term Better-functioning housing markets and institutions in developing countries result in improved access to affordable housing, increased social stability and economic benefits to these countries.			
¹ Survey results available at year end only.					

CHAPTER III

Building a Strong Organization



To remain a strong organization that is able to fulfill its mandate, CMHC draws on strong corporate governance practices, sound financial and risk management, progressive human resources policies, efficient and reliable information technology systems and effective communications and marketing strategies.

■ CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Governing Legislation and Mandate

CMHC derives its authorities from both the *CMHC Act* and the *National Housing Act* (NHA).

The *CMHC Act*, which established the Corporation in 1946, contains provisions for the constitution of the Corporation and the composition of the Board of Directors. It also sets out provisions for the business and powers of the Corporation, including borrowing and investment authorities.

The NHA provides CMHC with its basic policy and operational mandate, which is to promote housing affordability and choice, including the construction of new houses, the repair and modernization of existing

houses, the facilitation of low-cost housing finance, the improvement of housing and living conditions, and the well-being of the housing sector.

As a federal Crown corporation, CMHC is also subject to the *Financial Administration Act* (FAA). In addition to FAA provisions for the preparation and Governor in Council approval of its corporate plan, the FAA requires that CMHC submit an annual report to its Minister for tabling in Parliament, and that the Corporation undergo periodic Special Examinations. CMHC's 2008 Special Examination received a "clean" opinion, meaning that the examiners found no significant deficiencies in the systems and practices of the Corporation.

CMHC reports to the Parliament of Canada through the Minister of Human Resources and Skills Development who has been designated as the Minister for the purposes of the *CMHC Act* and the NHA.

CMHC is governed by a Board of Directors. The Board is comprised of:

- the Chairperson;
- the President and Chief Executive Officer; and
- eight other directors.

The Chairperson and the President and Chief Executive Officer are appointed by the Governor in Council. The eight directors are appointed by the Minister with Governor in Council approval. With the exception of the President and Chief Executive Officer, all directors are independent of CMHC management.

The Board manages the affairs of the Corporation within the parameters of CMHC's legislative authorities and government policy. It regularly examines the continued relevance of corporate objectives and strategic priorities, ensures the integrity and adequacy of the Corporation's management practices and information systems, assesses the Corporation's performance against targets, and identifies and mitigates enterprise-wide risks.

Three committees of the Board assist in exercising its responsibilities:

- The Audit Committee advises the Board on the soundness of the financial management of the Corporation. It assists in overseeing CMHC's internal control systems, risk management, financial reporting and audit processes, including internal audit, the annual financial audit and periodic Special Examinations.

All members of the committee are financially literate and independent of management. Internal audit services are provided by CMHC's Audit and Evaluation Services (AES) division with the Director of AES reporting on a functional basis to the Audit Committee. CMHC management regularly reports on financial performance and risks to the Audit Committee through the Quarterly Financial and Risk Management (QFRM) Report.

- The Corporate Governance and Nominating Committee advises the Board on matters of corporate governance by monitoring best practices, trends and issues. This committee evaluates the performance of the President and Chief Executive Officer and makes recommendations with respect to potential candidates for Board vacancies.
- The Human Resources Committee advises the Board on corporate policies and strategies with respect to employee recruitment, selection, training, compensation and performance management. The committee is responsible for reviewing succession planning strategies.

The Board regularly reviews and updates as required the structure, composition and terms of reference of its committees.

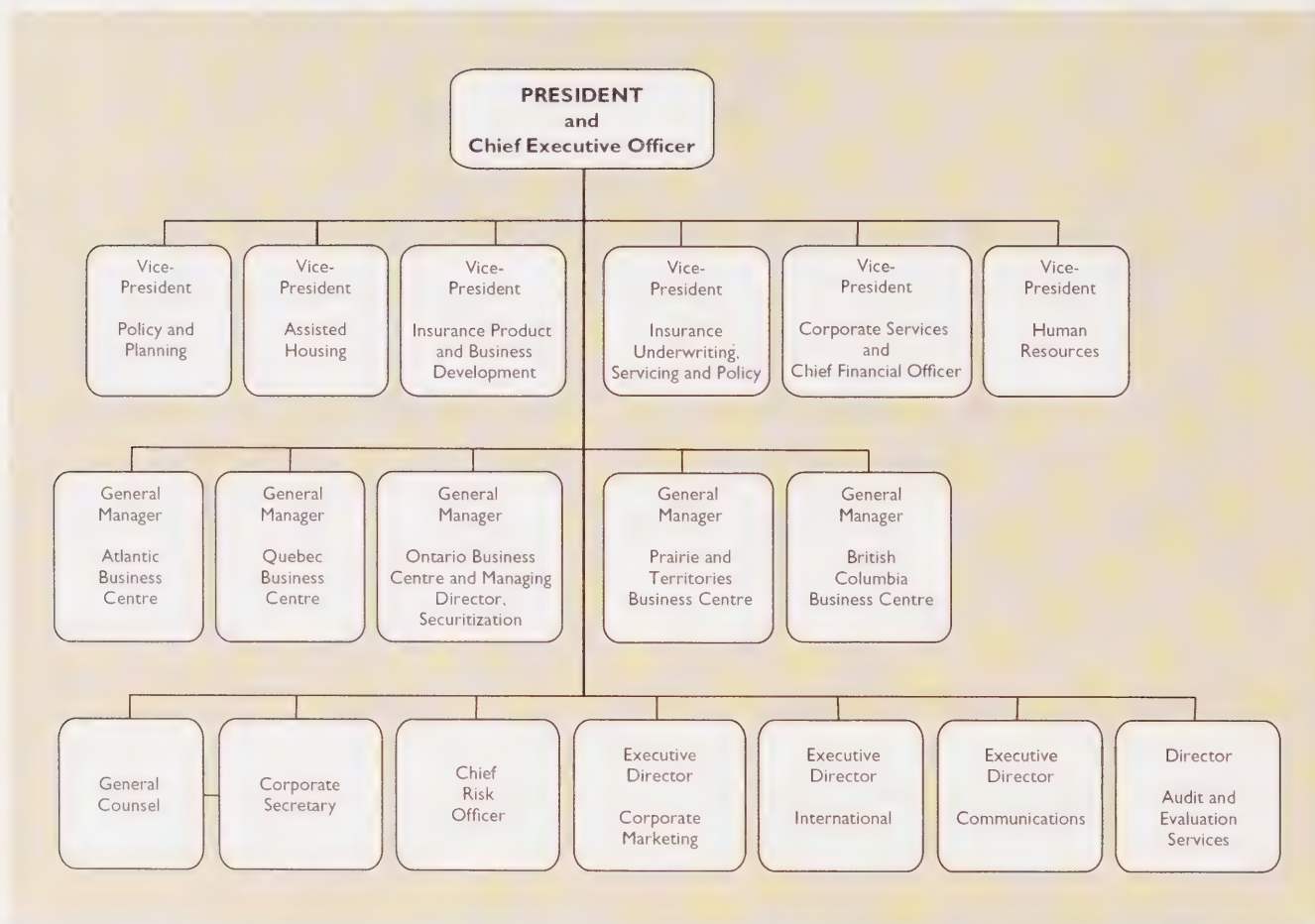
The CMHC Pension Plan, also established by the Board, is managed and administered by Trustees in accordance with a Trust Agreement. The Trustees are responsible for setting investment objectives and policies, selecting external investment managers and monitoring the results of the Pension Fund. The Fund's governance structure and practices meet or exceed governance guidelines of the Canadian Association of Pension Supervisory Authorities.

Corporate Structure

CMHC's national office is situated in Ottawa. Reporting to the President and Chief Executive Officer are vice-presidents and executive directors who lead their respective functional areas, and five general managers who are responsible for operations

in the following regional centres: Atlantic (Halifax), Quebec (Montreal), Ontario (Toronto), Prairie and Territories (Calgary) and British Columbia (Vancouver). In addition to the five regional centres, CMHC staff located in other cities also provide services to the public.

The following organization chart depicts CMHC's management:



In the context of strategic priorities 1.2, 2.2 and 3.1 discussed earlier in this summary, further details on the First Nations Market Housing Fund, the Canada Housing Trust and Granville Island are provided below.

First Nations Market Housing Fund (FNMHF)

The FNMHF was established on March 31, 2008 through an Indenture of Trust to facilitate the expansion of market financing of housing on First Nations' land. The Trust is overseen by nine trustees who are appointed by the Minister for CMHC and the Minister of Indian Affairs and Northern Development. For an initial period of five years, commencing in May 2008, the Fund has hired CMHC to manage its day-to-day activities on a fee-for-service basis under the oversight of the Trustees. The Fund received its capital of \$300 million from the federal government. It issues an annual report and has an accountability relationship with the Minister responsible for CMHC. The Fund's financial statements are not consolidated with CMHC's financial statements.

Canada Housing Trust (CHT)

CHT is a legal entity at arm's length to CMHC. CHT issues Canada Mortgage Bonds (CMBs), which are guaranteed by CMHC, and uses the proceeds to purchase mortgages packaged in *National Housing Act* Mortgage-Backed Securities (NHA MBS). As required under Accounting Guideline 15 of Canada's Accounting Standards Board, CHT's financial statements are consolidated with CMHC's financial statements. CMHC receives fees from CHT for providing the guarantee and for financial advisory services. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations.

Granville Island

Granville Island is a cultural, recreational and commercial development in the heart of Vancouver owned by the Government of Canada. CMHC is responsible for the property management of Granville Island for which it receives a fee. Granville Island's financial statements are not consolidated with CMHC's financial statements.

■ ENTERPRISE RISK MANAGEMENT

CMHC's management continually monitors the Corporation's internal and external environments in part through an Enterprise Risk Management (ERM) framework that assesses risks in three broad risk categories as depicted in the diagram below. The framework provides the basis for a structured and systematic review of potential issues in the Corporation's operating environment that could pose a risk to attaining its objectives and/or strategic priorities. The framework also provides a focus on certain infrastructure or operational risks, as well as the inherent financial risks the Corporation is exposed to from its Insurance, Securitization, and Lending Activities and related financing and investment activities.

A strategic level risk assessment is provided to the Board of Directors in conjunction with their quarterly review of performance indicators and targets in order to make adjustments to corporate resources and priorities as warranted. The Board's Audit Committee also reviews the Corporation's financial performance as well as key market and credit risks affecting CMHC's activities on a quarterly basis. Appropriate policies are in place and the Corporation's systems and management practices support the monitoring and management of risks.



■ INTERNAL SERVICES

Internal services are important to ensuring that the Corporation remains a strong organization able to fulfill its mandate. The following highlights some of CMHC's internal services and performance measures, where applicable, for 2010.

Human Resources

CMHC's workforce of approximately 2,000 employees is key to the Corporation's success. CMHC will ensure that its human resources policies and practices focus on talent and succession management, leadership development and managing a multi-generational, diverse and bilingual workforce. The talent management framework is designed to ensure its employees work in an environment that maximizes their contribution, provides opportunities to learn and rewards their progress.

CMHC has received several awards over the past year:

- One of the Top 100 Employers in Canada
- One of Canada's Best Diversity Employers for 2009
- One of the Top 25 Employers in the National Capital Region
- Canadian Mortgage Professionals' Employer of Choice

The talent management framework will also help the Corporation attract candidates for job openings and successfully replenish its workforce. Nonetheless, CMHC experiences some difficulty in recruiting highly specialized employees and, with over half of CMHC's workforce now over 45 years of age and over 20 per cent of employees eligible for retirement over the next five years, the Corporation will need to continue to focus on succession management.

The Corporation will implement a three-to-five year recruitment strategy that will further enhance the Corporation's ability to recruit employees, including members of designated groups and to find candidates for hard-to-fill positions. CMHC will also implement an updated action plan on official languages, building upon the significant improvements made in service to the public in recent years.

PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Retention of regular employees recruited 3 to 5 years ago (per cent)	96.6	93	93	99	93
Per cent of critical and vulnerable positions with succession plans underway	100	90	90	100	90
Per cent of employees with development plans in place in CMHC's online performance management system	88	85	85	92	85
Per cent of employees in bilingual positions meeting language requirements	91	90	90	90	90
Ensure that representation rates for Aboriginal people, visible minorities and persons with disabilities reflect or exceed the labour representation rates in the latest Census	Aboriginal people				
	2.7	2.7	2.7	2.8	2.8 ¹
	Visible minorities				
	13.2	13.4	13.4	13.5	13.9 ¹
	Persons with disabilities				
	3.9	4.7	4.7	3.9	4.3 ¹
Overall level of employee engagement (per cent)	96	90	90	96	90

¹ CMHC's objective is to reach the representation rates based on the 2006 Census data by 2013.

Corporate Services

Building upon environmentally-friendly practices in many areas, CMHC is working on a Sustainable Development Strategy that will parallel federal efforts following the adoption of the *Federal Sustainable Development Act* in June 2008. The strategy will identify CMHC's environmentally-friendly operational practices, policies, programs and products as well as ways that the Corporation can further improve energy efficiency and waste diversion. CMHC will

contribute to responsible environmental stewardship by improving energy efficiency and reducing waste from its operations, and it will report on the full spectrum of its environmental stewardship activities.

CMHC will also maintain and improve its Information Technology security posture through the implementation of a program to confirm the security, reliability and integrity of all mission critical systems and will take corrective measures to address any vulnerabilities.

PERFORMANCE MEASURES	2008 Actual	2009			2010 Plan
		Plan	Mid-Year		
			Plan	Actual	
Technology index for key systems (per cent)	99.9	99.8	99.8	99.9	99.8

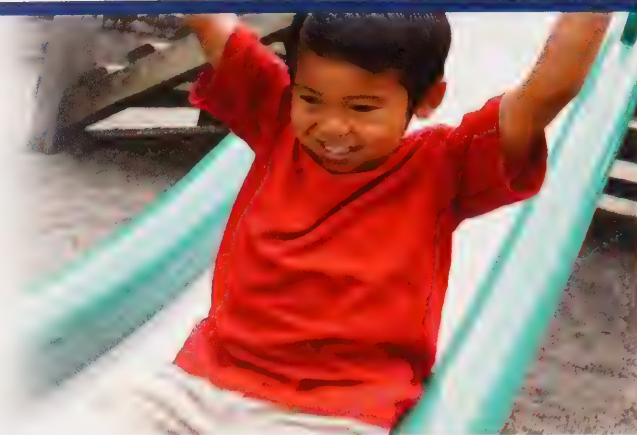
Corporate Marketing and Communications

CMHC marketing and communications services help ensure that Canadians are made aware of CMHC's products, programs and services. Specific information needs of Canada's increasingly diverse population are addressed through print publications and videos in languages other than English or French as well as enhancements to CMHC's website.

Marketing and communications outreach activities, including targeted advertising to new Canadians as well as the promotion of housing-related CEAP activities, have generated increased interest in CMHC's programs and activities, including increased visits to the Corporation's website.

CHAPTER IV

Financial Plan Summary



■ OVERVIEW

The Financial Plan presents the financial results for 2008 as well as those anticipated in 2009 and over the planning horizon from 2010 to 2014. Financial results and forecasts in this summary are presented on a consolidated basis and under each of CMHC's three corporate objectives on the basis of Housing Programs, Lending, Insurance, Securitization Activities, including those of the Canada Housing Trust (CHT), a separate legal entity.

CMHC's Housing Programs, Lending Activity and the CHT are operated on a breakeven basis. Within Housing Programs, funds are provided by the Government of Canada through Parliamentary appropriations for expenditures, including operating expenses. Within the Lending Activity, revenues are earned from interest income on the loan portfolio which is funded through borrowings. Within the CHT, revenues are earned on investments primarily in NHA Mortgage-Backed Securities and, to some extent, in short-term securities covering operating expenses and Canada Mortgage Bonds' interest expense.

CMHC's commercial business is carried out under its Insurance and Securitization Activities. The Insurance

Activity generates most of the Corporation's net income and retained earnings. Insurance revenues are earned from premiums, fees and investment income, while expenses consist mainly of operating expenses and net claims expense. Securitization also generates net income and has revenues from fees and investment income, while expenses are mainly interest expenses.

The Financial Plan is based on interest rates forecasted by CMHC's Market Analysis Centre and on inflation rates published by the Conference Board of Canada.

Effective January 1, 2008, the Corporation adopted the following new accounting standards: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. These new standards resulted in changes to the disclosures in CMHC's notes to the Financial Statements but have no impact on the Corporate Plan tables. CMHC intends to be compliant with International Financial Reporting Standards (IFRS) by January 1, 2011. (See further discussion on page 33.) The financial information presented in this summary is compliant with GAAP.

■ CONSOLIDATED FINANCIAL PLAN

Highlights of the Consolidated Financial Plan are presented in the following tables. Consolidated Net Income in 2008 was \$1,778 million, exceeding the plan by \$683 million, or 62 per cent, due largely to unrealized gains from the fair valuation (less corresponding taxes) of the Insured Mortgage Purchase Program (IMPP). In 2009, the Net Income estimate is below plan due primarily to higher loss on claims and lower investment income in the Insurance Activity.

Going forward, Net Income is projected to rise from \$783 million in 2009 to \$1,980 million in 2014, largely reflecting the past performance of the Insurance business line during a period of strong economic activity.

Other Comprehensive Income (OCI) results from unrealized gains or losses caused by the fair valuation of investments in Insurance and Securitization Activities and, in 2008, a loss of \$604 million was incurred compared to a planned gain of \$90 million.

Assets and liabilities in 2008 were \$204 billion and \$195 billion, respectively, and both exceeded plan by \$47 billion. This resulted mainly from the purchase of \$25 billion of NHA MBS from Canadian financial institutions under the IMPP and increased NHA MBS and CMB issuances. In 2009, because investments in NHA MBS by the Securitization Activity under the IMPP are projected to be lower than planned, Consolidated Assets will also be below plan. Consolidated Assets are projected to rise in the early years of the planning period and then decline, as investments in NHA MBS held by the Securitization Activity under IMPP are scheduled to end by March 2010 following which outstanding balances will decline.

The increase in staff-years from 2,030 to 2,138 in 2010 is a result of CMHC's role in delivering CEAP initiatives and increased Insurance Activity.

Consolidated Financial Plan								
\$ Millions	Actual 2008	Plan 2009	Estimate 2009 ¹	Plan				
				2010	2011	2012	2013	2014
Revenues	11,985	15,966	13,386	15,359	16,248	16,324	16,609	16,143
Expenses	9,566	14,061	12,303	14,091	14,697	14,553	14,763	13,509
Net Income before Income Taxes	2,419	1,905	1,083	1,268	1,551	1,771	1,846	2,634
Net Income after Income Taxes	1,778	1,353	783	911	1,137	1,330	1,387	1,980
Other Comprehensive Income	(604)	65	33	42	9	43	66	85
Comprehensive Income	1,174	1,418	816	953	1,146	1,373	1,453	2,065
Total Assets	203,512	345,318	292,365	321,200	331,419	337,237	317,852	301,014
Total Liabilities	195,342	335,484	283,379	311,261	320,334	324,779	303,941	285,038
Equity								
Capital	25	25	25	25	25	25	25	25
AOCI ²	(276)	531	(243)	(201)	(192)	(149)	(83)	2
Retained Earnings	<u>8,421</u>	<u>9,278</u>	<u>9,204</u>	<u>10,115</u>	<u>11,252</u>	<u>12,582</u>	<u>13,969</u>	<u>15,949</u>
Total Equity	8,170	9,834	8,986	9,939	11,085	12,458	13,911	15,976
Operating Expenses	385	460	484	494	521	520	531	542
Staff-Years	1,945	2,030	2,030	2,138	2,070	2,017	2,018	2,021
¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan. ² Accumulated Other Comprehensive Income								

Key elements by activity are presented below.

Highlights – 2010 Financial Plan by Key Activity							
\$ Millions	Housing Programs	Lending	Insurance	Securitization	CHT	Inter-segment Elimination	Consolidated
Revenues	3,125	671	2,266	2,113	7,370	(186)	15,359
Expenses (including Income Taxes)	3,125	701	1,267	2,183	7,370	(198)	14,448
Net Income (Loss)	0	(30) ¹	999	(70) ²	0	12	911
Other Comprehensive Income	0	0	57	(6)	0	(9)	42
Comprehensive Income	0	(30)	1,056	(76)	0	3	953
Assets	0	14,899	17,362	71,626	222,364	(5,051)	321,200
Liabilities	0	14,857	8,679	70,450	222,364	(5,089)	311,261
Equity							
■ Capital	0	25	0	0	0	0	25
■ AOCI ³	0	0	(90)	(29)	0	(82)	(201)
■ Retained Earnings	0	17	8,773	1,205	0	120	10,115
Total Equity	0	42	8,683	1,176	0	38	9,939

¹ The loss in Lending Activity is due to fair value adjustments.

² The loss in Securitization is primarily due to the unrealized loss on IMPP derivatives of \$294 million.

³ Accumulated Other Comprehensive Income

IN FOCUS

CMHC'S ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CMHC's management is responsible for the integrity and objectivity of the Corporation's financial statements. CMHC will transition from the Canadian Generally Accepted Accounting Principles (GAAP) to the International Financial Reporting Standards (IFRS) by January 1, 2011. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS.

IFRS will impact not only CMHC's financial information but also its operations, financial business systems, and stakeholders. As a result, the Corporation completed a diagnostic assessment to determine the major impacts IFRS would have on these areas and a transition plan has been developed to ensure the smooth transition from GAAP to IFRS. CMHC is currently developing solutions to the differences and choices presented by IFRS and will be implementing these solutions in 2010, thus ensuring that the Corporation is IFRS compliant by January 1, 2011.

CMHC is working closely with other Crown corporations, regulators, and industry associations to ensure impacts on CMHC and its clients are identified and well understood.

■ FINANCIAL PLAN BY OBJECTIVE

The following presents Housing Programs, Lending, Insurance, Securitization and CHT activities by corporate objective.

Objective 1: Help Canadians In Need

Financial information is presented for Housing Programs and for Lending Activity under this objective.

HOUSING PROGRAMS

The Government of Canada reimburses CMHC for payments made under the federal government's assisted housing programs and for related operating expenses. Within the Financial Plan, information on CMHC's Housing Programs is presented mainly on a fiscal year basis from April 1st to March 31st which is consistent with the funding for these programs as approved by Parliament.

In 2008-09, \$2,206.9 million was spent under Housing Programs for grants, contributions and subsidies compared to a plan of \$2,305.0 million. The under-expenditure of \$98.1 million reflects lower than planned interest and inflation rates as well as the re-profiling of the interest and inflation rate reserve of \$34.5 million to 2011-12. In 2008-09, about 86 per cent of Housing Program expenditures was ongoing and non-discretionary as they relate to social housing commitments made in prior years.

In 2009-10, Housing Program expenditures are forecast to be \$3.1 billion. The increase from 2008-09 reflects the additional federal investments under Canada's Economic Action Plan that will be spent over two fiscal years starting April 1, 2009 and ending March 31, 2011. In 2011-12 and subsequent years, expenditures will drop back to the pre-CEAP level of about \$2.0 billion.

Housing Programs Expenditures								
\$ Millions	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan				
				2010	2011	2012	2013	2014
Assisted Housing Programs	1,656	1,656	1,676	1,679	1,713	1,701	1,685	1,675
Affordable Housing Initiative	98	164	251	468	234	11	1	-
On-Reserve Housing Programs	412	139	159	183	173	140	145	154
Housing Renovation Programs	114	278	384	661	381	9	2	2
Research and Information Transfer	8	10	9	10	10	10	10	10
Subtotal	2,288	2,247	2,479	3,001	2,511	1,871	1,843	1,841
Operating Expenses	103	114	119	124	123	119	121	124
Total	2,391	2,361	2,598	3,125	2,634	1,990	1,964	1,965

¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.

Planned expenditures reflect the items discussed below:

Canada's Economic Action Plan

Funds committed under Canada's Economic Action Plan over two years include:

- More than \$1.3 billion to build new or renovate/retrofit existing social housing, cost-matched on a 50-50 basis with provinces and territories, of which:
 - \$850 million for the renovation and energy retrofit of existing social housing;
 - \$400 million for the construction of social housing units for low-income seniors;
- \$75 million for the construction of social housing units for persons with disabilities.
- \$200 million to support new social housing and repair of existing housing in the North.
- \$250 million for new social housing and repair of social housing in First Nations communities (in addition to \$150 million to be provided through Indian and Northern Affairs Canada for complementary housing activities).
- \$150 million for the renovation and energy retrofit of existing social housing supported unilaterally by CMHC.

The breakdown of this new funding, by fiscal year, is as follows:

CEAP – Investments in Housing for Canadians				
\$ Millions	2009-10	2010-11	2011-12 and beyond	Total
Renovation and Retrofit of Social Housing	500	500	0	1,000
Housing for Low Income Seniors	200	200	0	400
Housing for Persons with Disabilities	25	50	0	75
First Nations Housing	63.8	64.8	121.4	250
Northern Housing	100	100	0	200
Total	888.8	914.8	121.4	1,925

Renovation Programs and the Affordable Housing Initiative

The federal government announced, in September 2008, its commitment to five years of funding totalling \$1.9 billion for housing and homelessness programs to March 31, 2014. As part of this investment, the government extended funding to the existing AHF (\$125 million) and renovation programs (\$128.1 million) at their 2008-09 levels for two years. The five-year funding commitment provides the opportunity to consider improvements to housing and homelessness programs including the AHF, renovation programs and HRSD's Homelessness Partnering Strategy (HPS). The direction for the last three years of the five-year funding extension for housing and homelessness programs will be determined by the federal government in 2010 and, as such, resources are not included in this Financial Plan.

Social Housing Agreements (SHA)

All provinces and territories, except Prince Edward Island, Quebec and Alberta, have signed Social Housing Agreements (SHAs) transferring the administration of the existing social housing stock to them. The Financial Plan takes into account the terms of the SHAs and reflects the assumption that agreements will not be signed with the three remaining jurisdictions during the planning period.

Upon transfer of social housing administration, the provinces/territories assume responsibility for all program expenditures including the risk associated with changes in interest and inflation rates. Accordingly, the provinces/territories receive all the related long-term continuing federal funding for the programs as well as the interest and inflation reserve previously established.

Payments under the SHAs represent over \$1 billion of the \$1.7 billion for Housing Programs. Over the five-year period from 2010 to 2014, annual expenditures will decline from \$1,019.5 million to \$929.6 million reflecting the expiry of subsidies for projects as scheduled.

Seed Funding and Proposal Development Funding

Seed Funding and Proposal Development Funding (see Glossary) provide financial help to potential housing sponsors who are in the very early stages of developing an affordable housing proposal. In 2010-11 and in later years, \$3.3 million per year has been allocated to these programs.

Housing Programs On Reserve

On a continuing basis, \$4 million is provided yearly to support new commitments under the On-Reserve Non-Profit Rental Program and renovation programs. In 2010-11, CMHC will provide \$7.3 million for First Nations capacity development and liaison activities.

One-time funding is also provided for on-reserve programs under CEAP. As noted earlier, the Government of Canada provided \$250 million for on-reserve housing for the period April 1, 2009 through March 31, 2011, consisting of \$125 million for the creation of new on-reserve housing and \$125 million for the repair and renovation of existing federally assisted on-reserve social housing. Funding will also be used to improve energy efficiency and accessibility as well as to address overcrowding. In addition, a further \$8.3 million per year was provided for 2009-10 and 2010-11 for renovation programs on reserve with the extension of the renovation programs announced in the fall of 2008.

Enhanced Assistance

Through Enhanced Assistance, CMHC provides funding as a last resort to pre-1986 Section 95 housing projects in financial difficulty. Projects experience financial difficulties for a number of reasons such as local market decline resulting in high vacancies or limited project revenue, and physical deterioration of buildings due to deferred project maintenance or construction deficiencies. Due to an anticipated increase in demand, the annual limit for Enhanced Assistance was increased from \$4.0 million to \$5.0 million beginning in 2010. The source of funding will continue to come from surplus subsidy returned to CMHC to the extent that funds are available.

Expenditure Reviews

In 2006, the federal government initiated an expenditure restraint exercise. CMHC's contribution to this exercise was \$45 million, consisting of \$30 million in 2006-07 and \$15 million in 2007-08. In 2007, Treasury Board initiated a cost efficiency savings review across each federal department and agency and CMHC's contribution to this review was a permanent reduction of \$443 thousand starting in 2008-09. CMHC was subsequently advised of an additional \$190 thousand increment to be applied to 2009-10; a \$348 thousand increment in 2010-11; and a \$536 thousand increment in 2011-12 and beyond. CMHC will continue to manage the contribution through administrative savings.

LENDING ACTIVITY

Under Direct Lending, CMHC provides low-cost financing for mortgages in support of the original cost of the existing social housing portfolio under the Non-Profit, Cooperative and Public Housing Programs. As a result, the federal government's cost of ongoing subsidies for the projects is reduced. CMHC's Direct Lending rate forecasts are based on its cost of funds plus a small margin to cover administrative expenses.

CMHC borrows to fund loans under the Lending Activity. Prior to 1993, the Corporation borrowed from the Consolidated Revenue Fund (CRF). From 1993 to April 1, 2008, loans were funded by capital market borrowings. Since then, loans have been funded through borrowings from the Department of Finance under the Crown Borrowing Program (CBP).

Since 1991, CMHC has assumed the interest rate risk exposure on all loans financed with borrowings from the Government of Canada. Some borrowers have the right to prepay, without penalty, certain high interest cost borrowings they have outstanding with CMHC. The Corporation, however, does not have the ability to prepay, without penalty, its corresponding debt with the Government of Canada. This has resulted in asset/liability mismatches and a significant interest rate risk.

The federal government announced under Canada's Economic Action Plan that it would provide up to \$2 billion in direct low-cost loans between April 1, 2009 and March 31, 2011 to municipalities for housing-related infrastructure projects. These loans are being made by CMHC through the Lending Activity under the Municipal Infrastructure Lending Program (MILP) to finance housing-related infrastructure such as sewers, water lines, local transportation infrastructure within or into residential areas such as roads, bridges, residential sidewalks, lighting, pathways, landscaping and green space. The MILP is designed to breakeven, with all program costs being recovered through the interest paid on loans.

The Lending Activity's loans and investments in housing programs are projected to increase from \$12.3 billion in 2008 to \$12.4 billion in 2009 and \$12.8 billion in 2010 due to new loans made under the MILP. They will decline in later years, reaching \$10.4 billion by 2014, as repayments on existing loans will exceed new Lending Activity.

In 2008, the Lending Activity realized a profit of \$64 million, compared to a planned loss of \$8 million, due largely to gains on financial instruments designated at fair value. Net losses are projected for 2009 to 2014 mainly due to overall losses generated by the fair valuation of the Direct Lending hedged loans, capital market borrowings and derivatives.

A summary of the key financial forecast results for the Lending Activity is presented below:

Lending - Financial Forecast Results								
\$ Millions	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan				
				2010	2011	2012	2013	2014
Net Interest Income	25	9	29	29	34	39	38	37
Gains (Losses) from Financial Instruments	77	(7)	(191)	(45)	(43)	(25)	(31)	(19)
Gain (Loss) on Real Estate	-	(4)	(6)	(6)	(6)	(6)	(6)	(6)
Net Income (Loss)	64	(16)	(138)	(30)	(31)	(14)	(20)	(11)
Comprehensive Income	64	(16)	(138)	(30)	(31)	(14)	(20)	(11)
Loans and Investments in Housing	12,340	12,210	12,417	12,795	12,448	11,724	11,091	10,354
Other Assets	2,251	1,921	2,211	2,104	1,869	1,767	1,700	1,623
Total Assets	14,591	14,131	14,628	14,899	14,317	13,491	12,791	11,977
Total Liabilities	14,381	13,929	14,556	14,857	14,306	13,494	12,814	12,011
Total Equity	210	202	72	42	11	(3)	(23)	(34)
¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.								

Objective 2:

Facilitate Access to More Affordable, Better Quality Housing for All Canadians

Financial information is presented for Housing Programs, Insurance Activity, Securitization Activity and the Canada Housing Trust under this objective.

HOUSING PROGRAMS

In 2008-09, about \$30.4 million or 1.4 per cent of Housing Program expenditures of \$2.2 billion were used to fund directed and responsive research programs, housing surveys, data analysis and forecasting of economic, housing, and mortgage market trends and conditions. Activities supported include Canadian housing market research and analysis and research and information dissemination to promote desirable housing market outcomes and improve building performance.

In 2009-10 and 2010-11, approximately \$33 million and \$36 million, respectively, of Housing Program expenditures will be spent on this objective.

INSURANCE ACTIVITY

CMHC provides mortgage loan insurance to Approved Lenders that protects against losses in the event of borrower default on residential mortgages, allowing lenders to offer high ratio mortgages at interest rates typically available only to borrowers with larger down payments.

In 2008, the Insurance Activity earned net income of \$999 million, \$43 million lower than projected in the 2008-2012 Corporate Plan. At year end, the Insurance Activity held equity of \$7,004 million, compared to the estimate of \$7,776 million. The difference is primarily due to a reduction in AOCI as a result of financial market conditions. An actuarial valuation of the Insurance Activity as of September 30, 2008 confirmed its long-term solvency.

Based on projected volumes, mortgage loan insurance-in-force is forecast to increase to \$519 billion by the end of 2010. Under the NHA, the total outstanding amount of insurance-in-force may not exceed \$600 billion.

CMHC Retained Earnings, including capital reserves, are consolidated with the Government of Canada's Public Accounts. CMHC's Net Income serves to reduce the government's deficit.

The table below shows key financial forecast results for the Insurance Activity:

Insurance - Financial Forecast Results								
\$ Millions	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan				
				2010	2011	2012	2013	2014
Revenues	1,964	2,224	2,074	2,266	2,431	2,615	2,816	3,023
Expenses	562	474	1,268	878	820	756	757	808
Comprehensive Income	472	1,267	623	1,056	1,201	1,446	1,617	1,749
Unappropriated Retained Earnings	1,778	3,293	1,550	2,004	2,798	3,874	5,135	6,516

¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.

SECURITIZATION ACTIVITY AND CANADA HOUSING TRUST (CHT)

Through the Securitization Activity, CMHC guarantees the timely payment of principal and interest on Mortgage-Backed Securities and Canada Mortgage Bonds, increasing the supply of low-cost mortgage funds through secondary mortgage markets.

The global liquidity and credit crisis that began in 2007 worsened in 2008, leaving mortgage lenders with severe funding challenges and resulting in higher demand for CMHC's securitization products. In 2008, CMHC guaranteed timely payment of interest and principal on \$104.6 billion in mortgage related securities, two and a half times the planned amount. Under CMHC's *National Housing Act* Mortgage-Backed-Securities (NHA MBS) program, \$36.1 billion was issued directly into the capital markets and \$43.5 billion was issued by the Canada Housing Trust under the Canada Mortgage Bond (CMB) program and was guaranteed by CMHC. The balance of \$25 billion reflects purchases of securities backed by insured mortgage pools through the IMPP.

The overall currently authorized potential size of the IMPP is \$125 billion. On September 28, 2009, the government announced an extension of the IMPP to March 31, 2010 which will be implemented by CMHC.

Consistent with the implementation of capitalization to cover unexpected loss for its commercial Insurance Activity, CMHC is proceeding to carry out the same for its commercial Securitization Activity. This Corporate Plan Summary includes capitalization requirements for the guarantees given under NHA MBS and CMB programs as well as the Insured Mortgage Purchase Program. The Corporation's capitalization framework has been developed in accordance with both regulatory and economic capital principles established by the Office of the Superintendent of Financial Institutions (OSFI) and Basel II respectively, and has been reviewed and supported by the Department of Finance.

Key financial forecast results for the Securitization Activity and the Canada Housing Trust are shown in the following table:

Securitization and Canada Housing Trust - Financial Forecast Results								
\$ Millions	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan				
				2010	2011	2012	2013	2014
CHT								
Revenue	5,602	6,469	6,335	7,370	8,409	9,231	9,867	10,002
Expense	5,602	6,469	6,335	7,370	8,409	9,231	9,867	10,002
Comprehensive Income	-	-	-	-	-	-	-	-
Retained Earnings	-	-	-	-	-	-	-	-
SECURITIZATION								
Revenue	1,242	4,427	2,050	2,113	2,322	2,052	1,570	778
Expense	390	4,250	1,593	2,198	2,344	2,133	1,772	362
Comprehensive Income	609	167	328	(76)	(25)	(62)	(148)	323
Retained Earnings	938	504	1,275	1,205	1,185	1,124	972	1,284
¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.								

Objective 3: Ensure the Canadian Housing System Remains One of the Best in the World

Financial information is presented for Housing Programs and for Granville Island under this objective.

HOUSING PROGRAMS

Under Housing Programs, the Corporation supports the development and adoption of sustainable housing technologies and community planning approaches. It also carries out a number of activities to promote Canadian housing exports and the Corporation's expertise in housing in foreign markets.

In 2008-09, of the \$2,206.9 million spent under Housing Programs, approximately \$22.9 million or 1.0 per cent is spent on these activities. Planned expenditures in 2009-10 and 2010-11, are approximately \$26.6 million and \$28.3 million, respectively. These expenditures also cover the cost of emergency planning.

GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development owned by the Government of Canada. The Island is home to approximately 275 businesses and facilities that employ some 3,000 people and generates approximately \$215 million in annual economic activity.

There are more than 10.5 million visits annually to Granville Island.

Granville Island was created from an industrial landfill site with a capital infusion of \$25 million from the federal government. CMHC assumed the property management function in 1973 on behalf of the Government of Canada.

CMHC is currently working on the renewal of Granville Island's aging infrastructure.

CHAPTER V

Resource Requirements



■ OPERATING BUDGET

The operating budget provides the resources necessary to deliver and administer planned business volumes and support CMHC's Housing Programs, Lending, Insurance and Securitization Activities. Human resource requirements are planned and accounted for in terms of staff-years and they reflect planned business volumes and related performance standards.

Total expenditures in 2008 were \$323.7 million which is 1 per cent or \$3.2 million over the approved budget of \$320.5 million. Under-consumption in personnel budgets was \$4.5 million, primarily in fringe benefits. Non-personnel expenditures were \$16.8 million over plan due to costs related to higher Insurance Activity.

Operating expenses for 2009 are expected to be \$387.9 million compared to the plan of \$365.2 million. The projected over-consumption is mainly due to an increase in the pension plan expense of \$31.1 million as a result of a lower return on assets in 2008 and a lower fair value of the pension plan's assets.

The 2009 projection of \$387.9 million reflects steps already taken to identify savings that will offset the higher pension plan expense. Further measures were contemplated for the second half of 2009 with a view to bringing expenditures to within 5 per cent of the approved budget.

The 2010 budget reflects planned business volumes for 2010 and the related performance standards for the respective programs and it is \$46.0 million higher than the 2009 plan of \$365.2 million. The bulk of this increase, \$39.7 million, is due to higher pension plan expenses resulting from unexpected 2008 market conditions. The balance reflects increased salary costs due to market adjustments to maintain competitive compensation rates as well as additional staff-years needed primarily for the delivery of CEAP and the management of increased insurance business volumes.

Changes in projected operating budget requirements over the planning period are the result of projected staff-year changes to deliver the initiatives covered by CEAP, the renovation programs extension and the increased insurance business volume. It also includes adjustments for employment benefits, salary market rate increases and an inflationary provision for non-personnel costs.

Staff-years for the Insurance Activity increase in 2010 and beyond, mainly as a result of high volumes of homeowner units being insured. For homeowner claims, as well as for rental units insured, staff-years increase in 2010 and then decline through 2014. Staff-years for property administration rise in 2010

and then start to reduce in 2012. Default management staff-years increase in 2010 and 2011 and then remain relatively stable throughout the planning horizon.

For the Securitization Activity, staff-years are forecast to remain constant beyond 2010.

Under Housing Programs, staff-years have been allocated to the renovation programs and CEAP up to March 31, 2011.

The delivery of the MILP included in CEAP results in increased business volumes and staff-years in 2010 for the Lending Activity and these will gradually decline thereafter as loans are repaid.

Operating Budget Requirements				
	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan 2010
Staff-Years	1,945.4	2,030.4	2,030.4	2,138.0
Personnel (\$Millions)	187.2	206.4	237.4	254.5
Non-Personnel (\$Millions)	136.5	158.8	150.5	156.7
Total (\$Millions)	323.7	365.2	387.9	411.2
¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.				

■ CAPITAL BUDGET FOR FURNITURE, EQUIPMENT AND BUSINESS PREMISES

CMHC's Capital Budget for Furniture, Equipment and Business Premises is for the fit-up of CMHC's office space, ongoing repair and replacement of worn out assets, the acquisition of new assets, and the principal portion of the long-term lease payments for the National Office "C" Building.

As planned, commitments against the capital budget for 2008 were \$4.2 million.

The projected need of \$5.2 million in 2009 is in line with the approved budget. Included in the 2009 budget is \$834,000 to accommodate the additional staff-years needed to support CEAP.

CMHC's 2010 Capital Budget for Furniture, Equipment and Business Premises is \$4.5 million, which is unchanged from the planned level for 2010 established under the 2009-2013 Corporate Plan.

Summary of Commitments for Furniture, Equipment and Business Premises				
\$ Thousands	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan 2010
Furniture and Equipment	957.7	1,237.0	1,212.0	756.0
Business Premises	1,680.8	2,189.0	2,214.0	1,709.0
Obligations under Capital Lease	1,579.2	1,770.5	1,770.5	1,985.1
Total	4,217.7	5,196.5	5,196.5	4,450.1
¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.				

CAPITAL BUDGET FOR LOANS AND INVESTMENTS

The Capital Budget for Loans and Investments provides for borrowings for loans to acquire, construct or renovate housing under the various programs under the *National Housing Act*.

Capital commitments made in 2008 totalled \$368.0 million, representing a decrease of 1 per cent from the original plan of \$373.0 million.

The 2009 Capital Budget of \$1,059.0 million reflects planned commitments related to the extension of the renovation programs to March 31, 2011, as well as the lending needs associated with Canada's Economic

Action Plan which commenced April 1, 2009. Actual commitments for 2009 are estimated at \$1,059.7 million, \$0.7 million over the approved plan of \$1,059.0 million due to an accelerated commitment of new on-reserve projects under CEAP.

The 2010 Capital Budget for Loans and Investments totals \$1,417.5 million. Requirements are \$358.5 million higher than the 2009 level mainly because funds will be committed under CEAP programs throughout 2010, whereas in 2009 they commenced only in April.

Summary of Commitments for Loans and Investments

\$ Thousands	Actual 2008	Plan 2009	Estimate ¹ 2009	Plan 2010
Total	368.0	1,059.0	1,059.7	1,417.5

¹ Estimates represent projected results for 2009 based on information available at time of preparation of the 2010-2014 Corporate Plan.

■ BORROWING PLAN

Prior to 1993, CMHC obtained funding by borrowing directly from the Government of Canada. From 1993, with the inception of Direct Lending, until early 2008, CMHC was an opportunistic borrower in the capital markets, seeking to issue debt into those markets which provided the most cost-effective funding. Since April 2008, funds have been obtained by borrowing from the Consolidated Revenue Fund under the newly-implemented Crown Borrowing Program of the federal government.

CMHC borrows to fund the following categories of activities:

- *National Housing Act* (NHA) Part I purposes including for NHA Mortgage-Backed Securities (NHA MBS) and mortgages;
- Direct Lending for social housing;
- Other loans and investments in housing programs that include loans made under the MILP;
- Cash management, hedging and liquidity.

■ INVESTMENT PLAN FOR INSURANCE AND SECURITIZATION ACTIVITIES

The objective of the Insurance and Securitization investment portfolios is to maximize the total pre-tax investment return after investment-related operating expenses, retain sufficient liquidity to meet projected business needs and safeguard the economic value of the investment portfolios, subject to appropriate risk considerations and to the constraints outlined in CMHC's Funding, Investment and Risk Management Policies.

In addition, under the IMPP, CMHC invests in NHA MBS. These investments are excluded from

the strategic asset allocation because they were made with the explicit goal of helping Canadian financial institutions to raise longer-term funds and, as such, do not contribute to the overall return of the investment portfolio.

The market value of investments under management totalled \$15,164 million as at June 30, 2009, compared to \$13,439 million as at June 30, 2008. The majority of these investments, \$14,330 million, relates to the Insurance Activity while the remaining \$834 million relates to the Securitization Activity.

FINANCIAL HIGHLIGHTS

Corporate Results	2006 Actual	2007 Actual	2008 Actual	2009 Estimate
Total Assets (\$M)	124,218	148,168	203,512	292,365
Total Liabilities (\$M) ¹	118,764	141,174	195,342	283,379
Total Equity (\$M)	5,454	6,994	8,170	8,986
Total Revenue (\$M) ¹	8,378	9,320	11,985	13,386
Total Expenses (\$M) ¹	6,896	7,746	9,566	12,303
Total Operating Expenses (\$M) ¹	298	347	385	484
Net Income (\$M) ²	1,026	1,070	1,778	783
Other Comprehensive Income (\$M)	n/a	(200)	(604)	33
Comprehensive Income (\$M)	n/a	870	1,174	816
Reserve Fund (\$M)	143	121	185	47
Staff-Years	1,877	1,888	1,945	2,030
Insurance				
Annual Insurance Units Approved	631,191	803,151	919,790	1,120,816
Insurance-in-force (\$M)	291,400	345,200	407,700	486,600
Net Insurance Claims Expense (\$M)	209	315	372	1,053
Premiums and Fees Received (\$M)	1,383	1,740	2,132	2,371
Investments (including cash) (\$M) ³	9,974	12,026	12,974	14,782
Net Income (\$M)	981	1,022	999	573
Other Comprehensive Income (\$M)	n/a	(187)	(527)	50
Comprehensive Income (\$M)	n/a	835	472	623
Unappropriated Retained Earnings (\$M)	1,313	1,942	1,778	1,550
Retained Earnings Set Aside for Capitalization (\$M)	3,731	4,258	5,423	6,224
Securitization				
Annual Securities Guaranteed (\$M)	36,071	57,981	104,625	112,000
Securitization Guarantees in Force (\$M)	129,500	165,332	233,958	387,800
Fees Received (\$M)	85	131	228	285
Investments (including cash) (\$M) ³	396	533	25,559	68,651
Borrowings from the Government of Canada (\$M)	n/a	n/a	24,872	67,009
Net Income (\$M)	45	58	633	337
Other Comprehensive Income (\$M)	n/a	(7)	(24)	(9)
Comprehensive Income (\$M)	n/a	51	609	328
Unappropriated Retained Earnings (\$M)	242	305	938	817
Retained Earnings Set Aside for Capitalization (\$M)	n/a	n/a	n/a	458
Housing Programs				
Housing Program Expenses (\$M) (excluding operating expenses)	2,049	1,914	2,288	2,479
Affordable Housing Initiative Expenditures (\$M)	167	95	98	135
Estimated Households Assisted through Long-Term Commitments	630,000	626,300	623,700	619,400
Annual New Commitments (units) under Renovations Programs:	20,535	19,049	21,506	19,459
■ On-reserve	2,421	1,171	1,063	1,195
■ Off-reserve	18,114	17,878	20,443	18,264
New commitments On-reserve Non-Profit Units	4,393	1,442	945	795
Lending				
Loans and Investments in Housing Programs (\$M)	12,706	12,341	12,340	12,417
Borrowings from Capital Markets (\$M)	8,625	8,295	5,979	4,992
Borrowings from the Government of Canada (\$M)	4,701	4,446	7,746	9,007
Net Income (\$M)	0	(19)	64	(138)
Canada Housing Trust				
Canada Housing Trust Assets (\$M)	96,445	120,122	150,669	196,452
Canada Housing Trust Liabilities (\$M)	96,445	120,122	150,669	196,452

¹ Historical results have been restated to reflect consolidation of the Canada Housing Trust.

² 2008 includes \$550M in unrealized gains from the fair valuation of the Insured Mortgage Purchase Program (less their corresponding taxes).

³ Excludes investments related to repurchase activities and accrued interest receivable.

FINANCIAL HIGHLIGHTS

Corporate Results	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan
Total Assets (\$M)	321,200	331,419	337,237	317,852	301,014
Total Liabilities (\$M)	311,261	320,334	324,779	303,941	285,038
Total Equity (\$M)	9,939	11,085	12,458	13,911	15,976
Total Revenue (\$M)	15,359	16,248	16,324	16,609	16,143
Total Expenses (\$M)	14,091	14,697	14,553	14,763	13,509
Total Operating Expenses (\$M)	494	521	520	531	542
Net Income (\$M)	911	1,137	1,330	1,387	1,980
Other Comprehensive Income (\$M)	42	9	43	66	85
Comprehensive Income (\$M)	953	1,146	1,373	1,453	2,065
Reserve Fund (\$M)	17	(14)	(28)	(48)	(59)
Staff-Years	2,138	2,070	2,017	2,018	2,021
Insurance					
Annual Insurance Units Approved	960,944	949,344	934,704	950,358	973,010
Insurance-in-force (\$M)	519,100	548,700	565,900	576,700	585,300
Net Insurance Claims Expense (\$M)	647	564	496	490	533
Premiums and Fees Received (\$M)	2,246	2,271	2,325	2,446	2,590
Investments (including cash) (\$M) ¹	16,561	17,890	19,689	21,717	23,957
Net Income (\$M)	999	1,184	1,394	1,544	1,661
Other Comprehensive Income (\$M)	57	17	52	73	88
Comprehensive Income (\$M)	1,056	1,201	1,446	1,617	1,749
Unappropriated Retained Earnings (\$M)	2,004	2,798	3,874	5,135	6,516
Retained Earnings Set Aside for Capitalization (\$M)	6,769	7,159	7,477	7,760	8,040
Securitization					
Annual Securities Guaranteed (\$M)	66,000	60,000	63,000	63,000	63,000
Securitization Guarantees in Force (\$M)	396,600	385,400	363,800	349,400	303,500
Fees Received (\$M)	177	167	175	175	176
Investments (including cash) (\$M) ¹	70,616	66,939	64,185	34,960	6,196
Borrowings from the Government of Canada (\$M)	69,493	65,654	62,755	33,370	4,424
Net Income (\$M)	(70)	(20)	(61)	(152)	312
Other Comprehensive Income (\$M)	(6)	(5)	(1)	4	11
Comprehensive Income (\$M)	(76)	(25)	(62)	(148)	323
Unappropriated Retained Earnings (\$M)	602	428	269	175	557
Retained Earnings Set Aside for Capitalization (\$M)	603	757	855	797	727
Housing Programs					
Housing Program Expenses (\$M) (excluding operating expenses)	3,001	2,511	1,871	1,843	1,841
Affordable Housing Initiative Expenditures (\$M) ²	168	45	11	1	-
Estimated Households Assisted through long-term Commitments	612,700	604,300	594,800	580,700	562,500
Annual New Commitments (units) under Renovations Programs:	18,783	4,500	745	745	745
▪ On-reserve	1,069	682	504	504	504
▪ Off-reserve	17,714	3,818	241	241	241
New commitments On-reserve Non-Profit Units ³	697	652	614	593	573
Lending					
Loans and Investments in Housing Programs (\$M)	12,795	12,448	11,724	11,091	10,354
Borrowings from Capital Markets (\$M)	3,300	2,201	1,868	1,492	1,482
Borrowings from the Government of Canada (\$M)	10,977	11,512	11,033	10,723	9,915
Net Income (\$M)	(30)	(31)	(14)	(20)	(11)
Canada Housing Trust					
Canada Housing Trust Assets (\$M)	222,364	237,273	248,374	257,361	261,682
Canada Housing Trust Liabilities (\$M)	222,364	237,273	248,374	257,361	261,682

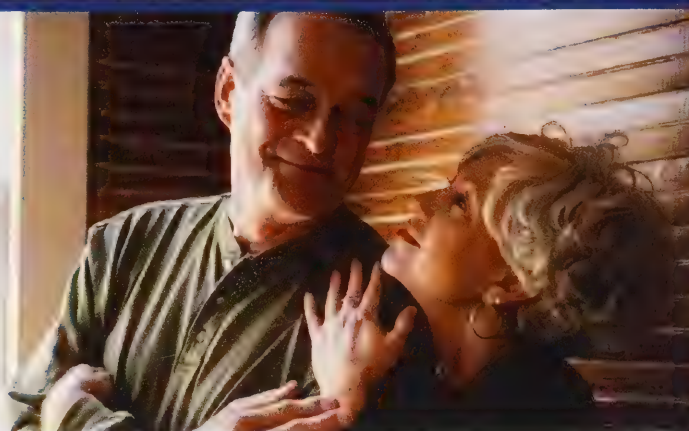
¹ Excludes investments related to repurchase activities and accrued interest receivable.

² Includes the extension of AHI, but not CEAP-related expenditures.

³ Excludes CEAP units.

CHAPTER VI

Financial Statements



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TABLE 1
Consolidated Financial Statements
 Balance Sheet (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Assets							
Investment in NHA Mortgage-Backed Securities	148,504	230,085	250,116	252,973	247,133	224,234	225,513
Loans and Investments in Housing Programs	12,340	12,417	12,795	12,448	11,724	11,091	10,354
Investment Securities	13,555	20,925	26,614	32,630	43,825	46,793	29,737
Cash and Cash Equivalents	2,983	3,431	4,051	4,589	5,068	5,490	4,479
Derivative-related amounts	4,750	1,358	955	571	244	11	2
Securities Purchased Under Resale Agreements	19,415	21,838	24,375	25,872	26,931	27,998	28,739
Other Assets	1,965	2,311	2,294	2,336	2,312	2,235	2,190
Total Assets	203,512	292,365	321,200	331,419	337,237	317,852	301,014
Liabilities							
Canada Mortgage Bonds	147,715	178,759	210,431	215,400	221,900	229,298	231,324
Borrowings from Capital Markets	5,976	4,992	3,300	2,201	1,868	1,492	1,482
Borrowings from the Government of Canada	32,618	76,016	80,470	77,166	73,788	44,093	14,339
Unearned Premiums and Fees	6,221	7,222	7,804	8,257	8,656	9,081	9,555
Derivative-related amounts	164	7,923	4,364	10,304	11,313	12,742	16,913
Other Liabilities	2,648	8,467	4,892	7,006	7,254	7,235	11,425
Total Liabilities	195,342	283,379	311,261	320,334	324,779	303,941	285,038
Equity of Canada							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income	(276)	(243)	(201)	(192)	(149)	(83)	2
Retained Earnings	8,421	9,204	10,115	11,252	12,582	13,969	15,949
	8,170	8,986	9,939	11,085	12,458	13,911	15,976
Total Liabilities & Equity	203,512	292,365	321,200	331,419	337,237	317,852	301,014

TABLE 2
Consolidated Financial Statements
 Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Revenues	11,985	13,386	15,359	16,248	16,324	16,609	16,143
Expenses	9,566	12,303	14,091	14,697	14,553	14,763	13,509
Income Before Taxes	2,419	1,083	1,268	1,551	1,771	1,846	2,634
Taxes	641	300	357	414	441	459	654
Net Income	1,778	783	911	1,137	1,330	1,387	1,980
Other Comprehensive Income	(604)	33	42	9	43	66	85
Comprehensive Income	1,174	816	953	1,146	1,373	1,453	2,065

TABLE 3

Consolidated Financial Statements

Statement of Equity of Canada (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Unappropriated Retained Earnings	2,813	2,475	2,726	3,350	4,278	5,460	7,241
Earnings Set Aside for Capitalization	5,423	6,682	7,372	7,916	8,332	8,557	8,767
Reserve Fund	185	47	17	(14)	(28)	(48)	(59)
Accumulated Other Comprehensive Earnings	(276)	(243)	(201)	(192)	(149)	(83)	2
Contributed Capital	25	25	25	25	25	25	25
Total Equity	8,170	8,986	9,939	11,085	12,458	13,911	15,976

TABLE 4

Consolidated Financial Statements

Statement of Cash Flows (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flows provided by (used in) Operating Activities	1,366	7,238	5,268	(1,133)	1,179	1,575	(1,383)
Cash Flows provided by (used in) Investment Activities	(46,134)	(90,921)	(36,243)	(6,082)	(7,327)	20,391	30,176
Cash Flows provided by (used in) Financing Activities	44,281	84,131	31,596	7,753	6,627	(21,544)	(29,804)
Increase (Decrease) in Cash and Cash Equivalents	(487)	448	621	538	479	422	(1,011)

TABLE 5
Housing Programs

Statement of Expenditures and Recoveries (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flow Requirements - Contributions							
Increased availability of safe, affordable housing for Canadians in need, including Aboriginal Canadians							
Assisted Housing Programs	1,656	1,676	1,679	1,713	1,701	1,685	1,675
Affordable Housing Initiative	98	251	468	234	11	1	0
On-Reserve Housing Programs	412	159	183	173	140	145	154
Housing Repair and Improvement Programs	114	384	661	381	9	2	2
Research and Information Dissemination that addresses distinct housing needs, including those of Aboriginal peoples	2	2	2	2	2	2	2
Strengthened competitiveness and innovation of the housing sector in order to meet the housing needs of Canadians							
Canadian Housing Market Research and Analysis	0	0	0	0	0	0	0
Research and information dissemination to promote desirable housing market outcomes and improve building performance	3	4	4	4	4	4	4
The Canadian housing system remains one of the best in the world							
International Activities	0	0	0	0	0	0	0
Research and information dissemination to promote sustainable housing and communities, as well as lead the development and implementation of federal housing policy	3	3	4	4	4	4	4
Subtotal - Contributions	2,288	2,479	3,001	2,511	1,871	1,843	1,841
Operating Expenses	103	119	124	123	119	121	124
Total Cash Flow Requirements	2,391	2,598	3,125	2,634	1,990	1,964	1,965

On-Reserve Housing Programs includes Renovation Programs delivered On-Reserve

TABLE 6

Lending Activity

Balance Sheet (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Assets							
Loans and Investments in Housing Programs	12,340	12,417	12,795	12,448	11,724	11,091	10,354
Cash and Cash Equivalents and Investment Securities	1,142	1,226	1,199	1,165	1,112	1,071	1,015
Other Assets	1,109	985	905	704	655	629	608
Total Assets	14,591	14,628	14,899	14,317	13,491	12,791	11,977
Liabilities							
Capital Market Borrowings	5,979	4,992	3,300	2,201	1,868	1,492	1,482
Borrowings from the Government of Canada	7,746	9,007	10,977	11,512	11,033	10,723	9,915
Accounts Payable and Other Liabilities	656	557	580	593	593	599	614
Total Liabilities	14,381	14,556	14,857	14,306	13,494	12,814	12,011
Equity							
Contributed Capital	25	25	25	25	25	25	25
Reserve for New Financial Instruments Accounting Standards	109	(29)	(57)	(88)	(107)	(130)	(144)
Reserve for General Items	76	76	74	74	79	82	85
Total Liabilities and Equity	14,591	14,628	14,899	14,317	13,491	12,791	11,977

TABLE 7

Lending Activity

Statement of Income, Comprehensive Income and Reserve Fund (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Net Interest Income	25	29	29	34	39	38	37
Net Gains (Losses) from Other Financial Instruments	77	(191)	(45)	(43)	(25)	(31)	(19)
Other Income	(1)	(4)	(4)	(4)	(4)	(4)	(4)
Income Before Operating Expenses	101	(166)	(20)	(13)	10	3	14
Operating Expenses	18	25	27	29	28	29	29
Income (Loss) Before Taxes	83	(191)	(47)	(42)	(18)	(26)	(15)
Taxes	19	(53)	(17)	(11)	(4)	(6)	(4)
Net Income (Loss)	64	(138)	(30)	(31)	(14)	(20)	(11)
Comprehensive Income	64	(138)	(30)	(31)	(14)	(20)	(11)
Reserve for New Financial Instrument Accounting Standards	109	(29)	(57)	(88)	(107)	(130)	(144)
Reserve Fund, Beginning of Year	121	185	47	17	(14)	(28)	(48)
Reserve Fund, End of Year	185	47	17	(14)	(28)	(48)	(59)

TABLE 8

Lending Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flows provided by (used in) Operating Activities	(82)	48	23	83	44	32	42
Cash Flows provided by (used in) Investment Activities	1,712	(280)	(538)	295	723	621	759
Cash Flows provided by (used in) Financing Activities	(1,513)	243	512	(383)	(774)	(659)	(808)
Increase (Decrease) in Cash and Cash Equivalents	117	11	(3)	(5)	(7)	(6)	(7)

TABLE 9

Insurance Activity

Balance Sheet (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Assets							
Investments in Securities/Cash and Cash Equivalents/ Real Estate	13,165	15,011	16,813	18,147	19,927	21,946	24,157
Other Assets	565	642	549	589	617	641	657
Total Assets	13,730	15,653	17,362	18,736	20,544	22,587	24,814
Liabilities							
Unearned Premiums and Provision for Claims	6,479	7,781	8,244	8,566	8,902	9,323	9,814
Other Liabilities	247	245	435	286	312	317	304
Total Liabilities	6,726	8,026	8,679	8,852	9,214	9,640	10,118
Accumulated Other Comprehensive Income	(197)	(147)	(90)	(73)	(21)	52	140
Appropriated Retained Earnings	5,423	6,224	6,769	7,159	7,477	7,760	8,040
Unappropriated Retained Earnings	1,778	1,550	2,004	2,798	3,874	5,135	6,516
Total Equity	7,004	7,627	8,683	9,884	11,330	12,947	14,696
Total Liabilities and Equity	13,730	15,653	17,362	18,736	20,544	22,587	24,814

TABLE 10
Insurance Activity

Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Revenues	1,964	2,074	2,266	2,431	2,615	2,816	3,023
Expenses	562	1,268	878	820	756	757	808
Income Before Income Taxes	1,402	806	1,388	1,611	1,859	2,059	2,215
Taxes	403	233	389	427	465	515	554
Net Income	999	573	999	1,184	1,394	1,544	1,661
Other Comprehensive Income	(527)	50	57	17	52	73	88
Income tax benefit on earnings set aside for capitalization	2	0	0	0	0	0	0
Total Equity, Beginning of Year	6,530	7,004	7,627	8,683	9,884	11,330	12,947
Total Equity, End of Year	7,004	7,627	8,683	9,884	11,330	12,947	14,696

TABLE 11
Insurance Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flows provided by (used in) Operating Activities	1,700	1,793	1,757	1,347	1,782	1,990	2,187
Cash Flows provided by (used in) Investment Activities	(2,007)	(1,765)	(1,728)	(1,326)	(1,755)	(1,959)	(2,153)
Cash Flows provided by (used in) Financing Activities	(914)	0	0	0	0	0	0
Increase (Decrease) in Cash and Cash Equivalents	(1,221)	28	29	21	27	31	34

TABLE 12

Securitization Activity

Balance Sheet (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Assets							
Investments in NHA MBS	24,767	61,465	59,255	49,674	34,643	4,555	424
Investment Securities	779	6,477	11,361	17,265	29,542	30,405	5,772
Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0
Other Assets	932	1,322	1,010	778	434	111	80
Total Assets	26,478	69,264	71,626	67,717	64,619	35,071	6,276
Liabilities							
Borrowings from the Government of Canada	24,872	67,009	69,493	65,654	62,755	33,370	4,424
Unearned Guarantee Fees	329	487	483	460	443	437	443
Unearned Application and Compensatory Fees	44	57	59	60	62	68	71
Accounts Payable and Accrued Liabilities	128	196	226	263	217	107	76
Other	181	263	189	129	53	148	(2)
Total Liabilities	25,554	68,012	70,450	66,566	63,530	34,130	5,012
Accumulated Other Comprehensive Income	(14)	(23)	(29)	(34)	(35)	(31)	(20)
Retained Earnings	938	1,275	1,205	1,185	1,124	972	1,284
Total Liabilities and Equity	26,478	69,264	71,626	67,717	64,619	35,071	6,276

TABLE 13

Securitization Activity

Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Revenues	1,242	2,050	2,113	2,322	2,052	1,570	778
Expenses	390	1,593	2,198	2,344	2,133	1,772	362
Income Before Income Taxes	852	457	(85)	(22)	(81)	(202)	416
Taxes	219	120	(15)	(2)	(20)	(50)	104
Net Income	633	337	(70)	(20)	(61)	(152)	312
Other Comprehensive Income	(24)	(9)	(6)	(5)	(1)	4	11
Total Equity, Beginning of Year	315	924	1,252	1,176	1,151	1,089	941
Total Equity, End of Year	924	1,252	1,176	1,151	1,089	941	1,264

TABLE 14
Securitization Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flows provided by (used in) Operating Activities	183	254	195	165	144	154	169
Cash Flows provided by (used in) Investment Activities	(25,057)	(42,403)	(2,678)	3,674	2,755	29,231	28,777
Cash Flows provided by (used in) Financing Activities	24,872	42,138	2,484	(3,839)	(2,899)	(29,385)	(28,946)
Increase (Decrease) in Cash and Cash Equivalents	(2)	(11)	1	0	0	0	0

TABLE 15
Canada Housing Trust

Balance Sheet (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Assets							
Investments in NHA Mortgage-Backed Securities: Designated at Fair Value	123,737	168,620	190,861	203,299	212,490	219,679	225,089
Other Assets	26,932	27,832	31,503	33,974	35,884	37,682	36,593
Total Assets	150,669	196,452	222,364	237,273	248,374	257,361	261,682
Liabilities							
Canada Mortgage Bonds	149,672	182,412	215,466	222,007	231,672	239,235	235,035
Other Liabilities	997	14,040	6,898	15,266	16,702	18,126	26,647
Total Liabilities	150,669	196,452	222,364	237,273	248,374	257,361	261,682
Accumulated Other Comprehensive Income	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Total Liabilities and Equity	150,669	196,452	222,364	237,273	248,374	257,361	261,682

TABLE 16

Canada Housing Trust

Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Revenues	5,602	6,335	7,370	8,409	9,231	9,867	10,002
Expenses	5,602	6,335	7,370	8,409	9,231	9,867	10,002
Income Before Taxes	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0
Comprehensive Income	0	0	0	0	0	0	0

TABLE 17

Canada Housing Trust

Statement of Cash Flows (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Flows provided by (used in) Operating Activities	(435)	5,143	3,293	(2,728)	(791)	(601)	(3,781)
Cash Flows provided by (used in) Investment Activities	(22,275)	(46,473)	(31,299)	(8,725)	(9,050)	(7,502)	2,793
Cash Flows provided by (used in) Financing Activities	23,329	41,750	28,600	11,975	10,300	8,500	(50)
Increase (Decrease) in Cash and Cash Equivalents	619	420	594	522	459	397	(1,038)

TABLE 18

Statement of Transactions with the Consolidated Revenue Fund (CRF)

Years Ending 31 December (In Millions of Dollars)

Description	2008 Actual	2009 Estimate	2010	2011	2012	2013	2014
Cash Drawn from CRF							
Borrowings, Lending Activity	2,035	2,019	2,305	1,781	900	1,214	500
Borrowings, Securitization Activity	24,872	45,170	6,000	0	0	0	0
Grants, Contributions and Subsidies	2,391	2,598	3,126	2,634	1,990	1,964	1,965
Total Cash Drawn from CRF	29,298	49,786	11,431	4,415	2,890	3,178	2,465
Cash Paid to CRF							
Repayment of Borrowings, Lending Activity	211	1,260	1,715	1,386	1,422	1,793	675
Repayment of Borrowings, Securitization Activity	0	3,023	3,516	3,839	2,899	29,385	28,946
Interest Paid on Borrowings	586	2,074	2,693	2,872	2,677	2,335	901
Other	498	189	31	611	442	499	551
Total Cash Paid to CRF	1,295	6,545	7,955	8,708	7,440	34,013	31,073
Net Cash Drawn from CRF	28,003	43,241	3,476	(4,293)	(4,550)	(30,835)	(28,608)

TABLE 19

Statement of Transactions with the Consolidated Revenue Fund (CRF)

Fiscal Years Ending 31 March (In Millions of Dollars)

Description	2008-09 Actual	2009-10 Estimate	2010-11	2011-12	2012-13	2013-14	2014-15
Cash Drawn from CRF							
Borrowings, Lending Activity	3,178	2,353	2,236	1,421	909	1,059	488
Borrowings, Securitization Activity	54,954	21,206	0	0	0	0	0
Grants, Contributions and Subsidies	2,207	3,142	3,132	2,042	1,973	1,962	1,966
Total Cash Drawn from CRF	60,339	26,700	5,368	3,463	2,882	3,021	2,454
Cash Paid to CRF							
Repayment of Borrowings, Lending Activity	3,487	1,875	1,144	1,780	1,477	1,753	1,165
Repayment of Borrowings, Securitization Activity	767	3,146	3,597	3,604	9,521	29,275	26,134
Interest Paid on Borrowings	586	2,074	2,693	2,872	2,677	2,335	901
Other	498	189	31	611	442	499	551
Total Cash Paid to CRF	5,338	7,284	7,465	8,867	14,116	33,863	28,751
Net Cash Drawn from CRF	55,001	19,417	(2,097)	(5,404)	(11,234)	(30,842)	(26,297)

Glossary



The following provides a description of select financial or CMHC terms and programs. For additional information consult CMHC's website at www.cmhc.ca.

Affordable Housing Centre	CMHC experts provide advice, guidance and information to assist with the development of affordable housing. Seed Funding and Proposal Development Funding are available to assist in the early stages of developing affordable housing. Access to financing may also be facilitated through lower mortgage insurance premiums and more flexible underwriting criteria.
Affordable Housing Initiative (AHI)	The initiative under which the federal government funds, through CMHC, contributions to increase the supply of affordable housing off reserve, in cooperation with provinces and territories. Each provincial or territorial housing agency designs its own housing programs (within certain terms and conditions) and is responsible for program delivery and administration, including the selection of housing projects that are chosen to receive AHI funding.
Canada Mortgage Bond (CMB)	A bond based on insured residential mortgages with a semi-annual coupon, at fixed or floating rate, that pays principal at maturity. It is issued by the Canada Housing Trust (CHT) and guaranteed by CMHC.
Core housing need	Households that occupy housing that falls below any of the dwelling adequacy, suitability or affordability standards, and which would have to spend 30 per cent or more of their before tax income to pay for the median rent of alternative local market housing that meets all three standards, are said to be in core housing need.
Direct Lending	CMHC provides low-cost loans directly to federally supported social housing sponsors seeking to refinance their housing projects and to First Nations to finance new housing production.
Equilibrium™ Sustainable Housing Demonstration Initiative (EQ™)	Equilibrium™ is a national housing initiative led by CMHC that brings the private and public sectors together to develop homes, and eventually communities, incorporating the principles of occupant health and comfort, energy efficiency, renewable energy production, resource conservation, reduced environmental impact and affordability.
Multi-seller Pool Concept	The NHA MBS program processes pools of residential mortgages issued by Approved Lenders. The current pool structure calls for one Approved Lender (seller) for each individual pool. A multi-seller pool structure would involve more than one Approved Lender (multiple sellers) to back the same individual pool.
National Housing Act Mortgage Backed Securities (NHA MBS)	A security which represents an undivided interest in a pool of residential mortgages insured under the NHA and has the full guarantee of the Government of Canada. The principal and interest paid by borrowers on the mortgages in an NHA MBS pool are paid to investors on a monthly basis. These payments can vary from month to month if, for example, borrowers make unscheduled payments, such as advance payments of principal on a mortgage. Securities under the NHA MBS program are issued by Approved Issuers (primarily lending institutions).

Non-Profit Housing Program	A program which provides assistance to public or private non-profit organizations who develop housing for low- and moderate-income households. New commitments are currently only being made on reserve.
Portfolio insurance	Portfolio insurance allows lenders to create and insure pools of previously uninsured low-ratio mortgages (mortgages where the loan-to-value is equal to or less than 80 per cent). Mortgages must be for residential properties of 1-4 units, be fully advanced and under repayment. Securities issued based on these insured mortgages can be guaranteed under CMHC's securitization programs.
Proposal Development Funding (PDF) Loans	Interest-free loans to eligible groups to assist them with the costs of developing a housing project which can be produced without long-term federal housing subsidies.
Renovation Programs	<p>Residential Rehabilitation and Assistance Program (RRAP): A program which provides financial assistance to low-income households who live on and off reserve to enable them to repair their homes, as well as to assist landlords to repair rental dwellings.</p> <p>Shelter Enhancement Program (SEP): A program which provides financial assistance to repair, rehabilitate and improve existing shelters, both on and off reserve, for adults, children and youth who are victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing.</p> <p>Emergency Repair Program (ERP): A program which provides financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their homes.</p> <p>Home Adaptations for Seniors' Independence (HASI): A program which provides financial assistance to low-income seniors on and off reserve to carry out minor adaptations to assist them to live independently in their own homes.</p>
Seed Funding	Financial assistance offered to housing proponents who are in the early stages of developing an affordable housing project.
Social Housing Agreements	The 1996 Federal Budget offered provinces and territories the opportunity to take over the management of existing off-reserve long-term federal social housing resources in order to streamline administrative arrangements in social housing and encourage the best possible use of public funds. Provinces and territories which sign social housing agreements with the Government of Canada are subject to national principles and an accountability framework which ensure that targeted federal subsidies continue to be used for housing eligible households. CMHC has signed agreements with Ontario, Saskatchewan, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Yukon, Manitoba, Nunavut, and British Columbia. Approximately 80 per cent of the long-term social housing stock is now under provincial/territorial administration.

2010-2014 SUMMARY OF THE CORPORATE PLAN



Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing agency. Created in 1946 through the *CMHC Act*, the Corporation has evolved over its 60-year history and today is a major source of federal housing assistance and a leading provider of mortgage loan insurance, securitization guarantee programs, housing research and market analysis. CMHC has established itself as a major national institution in the Canadian housing sector and its expertise is sought after both domestically and internationally.

Canada Mortgage and Housing Corporation offers a wide range of housing-related information. For more information, visit the Corporation's website at www.cmhc.ca or call 1-800-668-2642.